

CALIFORNIA HORSE RACING BOARD

REGULAR BOARD MEETING

Date and Time: Thursday, November 3, 2005

10:15 a.m. - 11:00 a.m.

Location: Arcadia City Hall
240 West Huntington Drive
Arcadia, California

Reporter: DEBORAH MORIN, CSR

Certificate No. 11558

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

1 APPEARANCES:

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3 CHRB BOARD

4 John C. Harris, Chairman

5 Richard B. Shapiro, Commissioner

6 Ingrid J. Fermin, Commissioner

7 Marie Moretti, Commissioner

8 Jerry Moss, Commissioner

9 John Andreini, Commissioner

10 Cheryl L. Granzella, Commissioner

11 William A. Bianco, Vice Chairman

12 Perry L. Knight, Deputy A.G.

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14 CHRB STAFF

15 John Reagan

16 Jacqueline Wagner

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1 APPEARANCES: (Continued)

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3 SPEAKERS

4 Drew Couto

5 Ralph Scurfield

6 Jack Liebau

7 Ron Charles

8 George Haines

9 Richard Castro

10 Norm Towne

11 Edward Allred

12 Peter Tunney

13 Ronald Arneski

14 Allen Gutterman

15 John Hyman

16 Jeff True

17 George Racket

18 Ron Jensen

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1 ARCADIA, CALIFORNIA, THURSDAY, NOVEMBER 3, 2005

2 9:08 A.M.

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5 EXECUTIVE DIRECTOR FERMIN: Ladies and
6 gentlemen, if the meeting will come to order. This
7 is a regular meeting of the California Horse Racing
8 Board on Thursday, November 3, 2005 at Arcadia City
9 Hall, 240 West Huntington Drive, Arcadia.

10 Present at this meeting are Chairman John
11 Harris, Vice Chairman William Bianco, Commissioner
12 Cheryl Granzella, Commissioner Marie Moretti,
13 Commissioner Richard Shapiro, and I understand that
14 Commissioner Andreini is going to be late.

15 Is Mr. Moss scheduled to come? He's not
16 coming. Okay.

17 We're going to go into executive session
18 at this time and reconvene in probably about a half
19 hour.

20 CHAIRMAN HARRIS: 25 minutes.

21 (Whereupon, a recess was held
22 from 9:09 A.M. to 10:15 A.M.)

23 EXECUTIVE DIRECTOR FERMIN: Please take your
24 seats. We're going to go ahead and reconvene the
25 meeting. Before we go on with the business at hand,

1 I'd like to remind everyone to please state your
2 name and your group that you represent for our court
3 reporter so that our record can be reflected
4 correctly.

5 And I'll turn the meeting now over to --
6 oh, additionally, for the record, I'd like to also
7 mention that Commissioner Jerry Moss has now joined
8 the meeting as well. We'd like to now welcome now
9 our new commissioner, Mr. John Andreini.

10 CHAIRMAN HARRIS: Sorry for the delay
11 in starting the meeting. We actually had to go into
12 executive session and come back. But we appreciate
13 your patience, and I'd like to join everyone in
14 welcoming John Andreini to the board. I've known
15 John a long time. He's got very excellent
16 experience both in horses and in business and is a
17 welcome addition to the Board.

18 First item is presentation of Board
19 resolution of the City of Arcadia. Greatly
20 appreciate being able to use their City Hall.

21 Is there someone here from Arcadia to
22 accept this?

23 This is -- it's got a bunch of
24 "whereases," but it's basically the City of Arcadia
25 has been a benefactor and facilitator on behalf of

1 Santa Anita Park, the California Horse Racing Board,
2 and the entire horse racing industry for very many
3 years, and we've gotten excellent cooperation in
4 being able to be here, and this is probably the
5 nicest meeting room we've had in the whole season.
6 So it's a real treat to be here in the City of
7 Arcadia.

8 UNKNOWN SPEAKER: Thank you. It's our
9 pleasure.

10 CHAIRMAN HARRIS: The next is a
11 presentation for Board resolution for Dr. William
12 Bell.

13 Dr. Bell.

14 As you know, Dr. Bell has been the state
15 veterinarian in the Southern California racetracks
16 for the last several years. He's done an excellent
17 job and is retiring and will be deeply missed, but
18 he really brought a high degree of excellence to
19 this position and is well respected by everyone in
20 the industry.

21 Dr. Bell.

22 DR. BELL: Thank you so much.

23 (Applause.)

24 DR. BELL: I would like to thank the
25 commissioners, those who are here and those who

1 preceded for the opportunity for almost 16 years to
2 be the official veterinarian for the Southern
3 California thoroughbred circuit.

4 It's given me the opportunity to work with
5 probably the greatest group of veterinarians
6 probably anywhere in the world. I've had real great
7 trainers, been associated with a lot of great
8 horses, groomers and hot walkers.

9 And I would like to thank a few people for
10 support in this job I've had these years: Mr. Roy
11 Minami with the California Horse Racing Board;
12 Dr. Ron Jensen, equine medical director of the
13 Board; Dr. Scott Stanley with the Ken Matty
14 Analytical Lab at U.C. Davis.

15 I would like to thank the racetracks that
16 have been very supportive over these years, Mr. Gil
17 Harper with Del Mar, and I have the Del Mar tie on
18 today. Herbert Shirlingworth with Oak Tree Racing
19 Association, Mr. George Haines with Santa Anita and
20 Mr. Yule Wyatt with Hollywood Park.

21 Also the stewards that have supported me
22 over the years, and one person that stands out is
23 Mr. George Slender, who swore me in and gave me the
24 oath for this job in February 1990.

25 I would like to thank also the

1 investigators that we've had over the years. We've
2 got some great ones. They know what they're doing,
3 and I also felt great support from them.

4 And last, but not least, two people that
5 I've worked with closely for all these years,
6 Francisco Risco, better known as Francis, who runs
7 the receiving barn, and he is in charge of all the
8 employees there, and he ran the thing as a
9 well-oiled machine.

10 And probably the most important of all the
11 people is my Secretary, Phyllis Davis, who was a
12 confidant. She was always there.

13 And the one quality about Phyllis, if I
14 was about to make a decision about something that I
15 didn't question that she thought I was wrong, she
16 was not afraid to stand up and tell me, "Doc, you're
17 wrong." I appreciated that. And she's always been
18 there in my support, and has made my job easy.

19 Thank you so much.

20 (Applause.)

21 CHAIRMAN HARRIS: The next item is the
22 discussion action by the Board for approval of the
23 minutes of our September meeting.

24 Any additions or corrections to those?

25 Hearing none, do we have a motion?

1 Do we have motion to approve those?

2 COMMISSIONER ANDREINI: (Inaudible).

3 COMMISSIONER SHAPIRO: Second.

4 CHAIRMAN HARRIS: All in favor.

5 (SPEAKING SIMULTANEOUSLY): "Aye."

6 CHAIRMAN HARRIS: Now we're going to
7 the September 6 meeting. This is at the big Fresno
8 (inaudible) if you'll recall.

9 Is there a motion on that?

10 COMMISSIONER SHAPIRO: I'd like to make a
11 correction.

12 CHAIRMAN HARRIS: Okay. Yes?

13 COMMISSIONER SHAPIRO: I believe that on
14 Page 2 of the minutes on the sixth line, second word
15 in, the word "could" should be "would."

16 CHAIRMAN HARRIS: Page 2, what line?

17 COMMISSIONER SHAPIRO: Sixth line down
18 after the word "advertising," the word should be
19 "would," not "could."

20 CHAIRMAN HARRIS: Mr. Liebau says,
21 "Spending on media advertising could be four times
22 that."

23 COMMISSIONER SHAPIRO: He said, "Would be
24 four times that."

25 He's referring to the \$80,000 that was

1 spent by Churchill Downs in the prior year.

2 CHAIRMAN HARRIS: Well, I don't know
3 if they took it out of the transcript or how they
4 came up with "could" or "would."

5 What does Mr. Liebau recall with respect
6 to "could" or "would"?

7 MR. LIEBAU: I think the question is moot.
8 Say "would."

9 CHAIRMAN HARRIS: Okay. Change it
10 from "could" to "would."

11 Anything else on those minutes? Motion to
12 approve?

13 COMMISSIONER SHAPIRO: So moved.

14 CHAIRMAN HARRIS: Second to approve,
15 all in favor?

16 (SPEAKING SIMULTANEOUSLY): "Aye."

17 CHAIRMAN HARRIS: The next item is
18 discussion action by the Board, application to
19 conduct a horse racing meeting at the Los Angeles
20 Turf Club at Santa Anita commencing on December 26
21 through April 23.

22 MS. WAGNER: Good morning. Jacqueline
23 Wagner, CHRB staff. The application for the
24 Los Angeles Turf Club, they are proposing to run a
25 race meet from December 26, 2005 through April 23,

1 2006. This will be for 86 days which is one more
2 day than they ran in 2005.

3 The association is proposing to race a
4 total of 86 races with an estimated -- excuse me --
5 86 days with an estimated 718 races. Their first
6 post time will be 1:00 P.M. on weekends and at
7 12:30 P.M. post on weekends and holidays.

8 They'll have a 12:00 o'clock post on
9 December 26, January 16, and January 28 as well as
10 February the 20th, March 4, and April 8. There will
11 be a 12:30 post on February 4 and a 3:00 P.M. post
12 on Friday April 15 and April 22.

13 This application is noted to be announced
14 as missing a horsemen's agreement. I have been
15 informed that the issues in the horsemen agreement
16 has been resolved and there was an agreement in
17 concept. Staff would recommend that the Board
18 approve the application contingent upon us including
19 that signed copy of the horsemen's agreement.

20 We do have a representative from the
21 Los Angeles Turf Club for you who may answer any
22 questions you may have.

23 CHAIRMAN HARRIS: I still want to hear
24 from Los Angeles Turf Club.

25 Any questions from the Board?

1 COMMISSIONER SHAPIRO: I have a few
2 questions. I see the horsemen's agreement is not
3 finalized yet. Is it close to being finalized?

4 MR. HAINES: George Haines, Santa Anita.
5 Yes, it is. We came to an agreement last
6 night.

7 COMMISSIONER SHAPIRO: I notice that
8 you're not using the \$.10 superfecta.

9 Is there a reason why you're not using it
10 in your app?

11 MR. HAINES: No. It's an omission in our
12 application.

13 CHAIRMAN HARRIS: That's good. I
14 think that's a good bet.

15 COMMISSIONER SHAPIRO: In terms of ADW
16 wagering, will Express Bet be the only -- how will
17 ADW wagering be conducted at this upcoming -- at
18 your Santa Anita spring meeting?

19 MR. HAINES: Ron Haines from Express Bet
20 is here to answer your question.

21 COMMISSIONER SHAPIRO: My question is
22 really directed at will TVG be working the meet as
23 they are currently working at the Oak Tree meeting?

24 CHAIRMAN HARRIS: Basically is there
25 an exclusive arrangement with HRTV?

1 MR. LUNIEWSKI: Ronald Luniewski,
2 Express Bet.

3 We plan on entering into discussions with
4 Television Games Network between now and the start
5 of the meets, looking towards figuring out a way to
6 cooperate with Television Games Network and give
7 them the signal on Santa Anita and then get
8 (inaudible) California contact.

9 As of right now those discussion have been
10 started. Ron Charles and I had some preliminary
11 discussions last night. So we plan on proceeding on
12 spending a lot of time on it over the next six to
13 eight weeks on that topic.

14 But as of right now, if nothing changes,
15 Express Bet, You Bet, would be (inaudible) in this
16 marketplace.

17 COMMISSIONER SHAPIRO: Well, I had a
18 problem with the whole way that the ADW system
19 appears to be set up, and I understand there's
20 exclusive agreements and nonexclusive agreements.

21 But for some of us who don't have the
22 capability or be able to see both TVG and also HRTV,
23 it appears to me that we're constantly looking for
24 ways to increase purses.

25 And I would strongly suggest to you and to

1 TVG and everybody to get in a room and figure out a
2 way to help California racing so that all providers
3 providing a race are providing signals at all
4 tracks.

5 This exclusive arrangement -- and I don't
6 know the economics of it -- but I think we have to
7 look beyond that, and we have to find a way so that
8 we can offer wagering through all channels at all
9 tracks and hopefully boost our purses.

10 So I know that if I were hearing this
11 simulcast of the ADW private applications today,
12 frankly I would take a much different view than I
13 took the last time we heard them if there was a way
14 to get TVG and Express Bet at all tracks so that we
15 can enhance the handle and purses in California. So
16 I would strongly ask that you pursue that.

17 MR. LUNIEWSKI: Absolutely that's
18 (inaudible).

19 CHAIRMAN HARRIS: I'm assuming the
20 issue is that the actual wagering, which I think we
21 do license the ADW providers, and maybe we can
22 comment on that.

23 I'm not sure how much latitude we have as
24 far as telling TV networks what they should cover.

25 COMMISSIONER SHAPIRO: I'm not intending

1 to tell the TV networks. I understand that if HRTV
2 doesn't want to show races at Hollywood Park, that's
3 their decision. But I think it's in horse racing's
4 best interest that the ADW providers provide
5 wagering at all the tracks.

6 These exclusive arrangements I don't think
7 are beneficial to our fans and to people that are
8 desirous of promoting California horse racing. And,
9 frankly, I think they're harmful, and we need to get
10 our purses out, and we should be using every means
11 to do it.

12 CHAIRMAN HARRIS: I agree. In a
13 perfect world it would be nice if both of them
14 everybody everything, but clearly the actual
15 wagering would be a (inaudible).

16 COMMISSIONER SHAPIRO: Well, I agree. And
17 that's why I believe we approved last December a
18 two-year license application for the ADW providers.

19 And I would hope the Board would take a
20 whole different view or look at that next time it
21 comes up and encouraging the tracks to please sit
22 down with all the providers and work out some
23 arrangements that will help our wagering public.

24 MR. COUTO: Good morning. Drew Couto on
25 behalf of Thoroughbred Owners of California.

1 I'd like to apologize to the Board for not
2 having the horsemen's agreement finalized until last
3 night.

4 We had some issues that required a full
5 meeting of my committee and the racing association
6 beyond Santa Anita resolved, and I'm glad to say we
7 did resolve them all yesterday. So we should be
8 able to expedite everything in the future.

9 With regard to the ADW, however, we -- TOC
10 did host a meeting yesterday with the three ADW
11 companies and intended to meet privately with each
12 and then jointly.

13 Two of the three were able to show up.
14 One which had indicated earlier that it was not
15 intending to meet did eventually convey to us that
16 they would meet but they were unavailable yesterday,
17 and we learned that the day before.

18 But it is our intent at TOC that this
19 coming year my Board has basically had it with the
20 exclusivity arrangements and the fact that these are
21 hurting California purses and hurting California
22 racing associations for the benefit of some narrow
23 corporate interests.

24 We have a much larger industry that needs
25 to take full advantage of the law that's out there.

1 TOC has never been a signatory to any of these
2 exclusive arrangements, and we have left to the
3 companies up to this point the ability to work
4 something out.

5 We were trying to give them one more
6 opportunity to do that. We probably will, but this
7 issue will come to a head here shortly one way or
8 the other.

9 COMMISSIONER SHAPIRO: Well, I applaud
10 that. I seriously applaud that.

11 MR. CASTRO: Richard Castro, Pari-Mutuel
12 Employees Guild.

13 I hope you also include us in this master
14 plan. We're still waiting for live telephone
15 operators. We're still waiting for your staff to
16 get a meeting with the Internet operators. Please
17 don't exclude us.

18 COMMISSIONER SHAPIRO: Mr. Castro, we have
19 no intention of excluding you, and we understand
20 your concerns; and we, I believe in the past,
21 demonstrated that we are sympathetic to jobs that
22 you felt would be created here and need to be
23 created here.

24 CHAIRMAN HARRIS: Yeah.

25 MR. CASTRO: Yeah, but sympathy doesn't

1 put money in our pockets. And as long as you have
2 the thoroughbred owners pushing the ball, maybe you
3 should take a second look in your executive session
4 about hearing their licenses again.

5 Why wait until December? Why can't we do
6 this in March?

7 COMMISSIONER SHAPIRO: I don't know. We
8 did issue, as I recall, two-year licenses. I don't
9 know if we have any basis for which to review or to
10 reconsider those licenses.

11 MR. CASTRO: If I violated my license, you
12 can bet you'd haul me in and review it. I don't see
13 why you would treat an operator's license any
14 different.

15 CHAIRMAN HARRIS: It will be looked
16 at -- every time we issue a license to a track, that
17 ties into their whole program. So you sort of have
18 another bite out of the apple on the way.

19 COMMISSIONER SHAPIRO: Well, again, I
20 think that if there's a way for us to reconsider and
21 look at the ADW program, I'm all for it because I
22 believe it's a disservice to everybody involved that
23 we don't have our ADW providers cooperating and
24 working, and so I'm more than happy to have this as
25 an open agenda item immediately and discuss this

1 future.

2 CHAIRMAN HARRIS: Before we get this
3 on the agenda for the next meeting, I'd like to see
4 some data on how different scenarios at work like,
5 for instance, every provider whose had it and how
6 that works versus having just one before we make a
7 decision.

8 COMMISSIONER SHAPIRO: I couldn't agree
9 with you more. We can use Oak Tree which does have
10 all providers and some of these and compare them to
11 those that don't.

12 CHAIRMAN HARRIS: I don't think --
13 does Oak Tree have HRTV?

14 COMMISSIONER SHAPIRO: They don't?

15 MR. CASTRO: I'll trust the decision to
16 your wisdom here.

17 COMMISSIONER SHAPIRO: But we're not going
18 to haul you off.

19 CHAIRMAN HARRIS: How about the -- I
20 mean I think we need to give the track latitude in
21 their charges, but based on my observations of how
22 busy the Turf Club is, I don't really see the wisdom
23 of raising their admission to the Turf club from \$15
24 to \$20. I mean you can get down there --

25 MR. HAINES: It always was \$20 on the

1 weekend. All we did was raise it to \$20 on
2 Wednesday, Thursday, and Friday. We put a
3 substantial amount of money into remodeling the Turf
4 Club this past ITW meet.

5 CHAIRMAN HARRIS: Okay. I'll take a
6 look at it. It just seems like it's a great place
7 for people to go who like to avoid crowds.

8 (Laughter from audience.)

9 CHAIRMAN HARRIS: Seems like a
10 Frontrunner. To me the Frontrunner is a much better
11 venue for someone which basically this clubhouse
12 (inaudible) plus your charges at the table.

13 But I mean I hope the Turf Club can return
14 to its former glory, but it looks like an aging lady
15 at this point. But I'll take another look.

16 EXECUTIVE DIRECTOR FERMIN: A what?

17 COMMISSIONER SHAPIRO: Can that be
18 stricken from the record?

19 CHAIRMAN HARRIS: What's wrong with
20 that? There's beauty in age.

21 COMMISSIONER SHAPIRO: I have a few more
22 questions for the applicant. As you know, we are
23 considering new verification in weights to be
24 carried, and part of those recommendations are to
25 install a video camera on the scales.

1 And I'm not exactly sure of the timing,
2 but I would like in terms of -- I'd like to hear
3 that you're willing to install a video camera in
4 terms of the weigh-out scale once we determine how
5 we're going to implement the system.

6 MR. HAINES: Yes, we are.

7 COMMISSIONER SHAPIRO: Thank you. With
8 respect -- in your license application, you state
9 under the section "Describe any improvements that
10 this facility advanced that directly benefit
11 horsemen: Extensive repairs and cleanup throughout
12 the stadium."

13 Could you tell me where these extensive
14 repairs are?

15 MR. HAINES: Mostly the repairs are to the
16 infrastructure of barns, structural repairs, that
17 type of thing.

18 COMMISSIONER SHAPIRO: All right. I'd
19 watch your backside. And when we sat here a year
20 ago, we talked about the barn area being approved,
21 and it's my understanding the horsemen and we have
22 been promised that Santa Anita would work to improve
23 that backside for many years.

24 And, frankly, those barns are less than
25 acceptable. They're old, and they need to be

1 improved, and I recognize the tough times of
2 economics.

3 But if Gulfstream can get a whole new
4 track, is there a chance we can get some new barns
5 and get barns that are more habitable for these
6 horses?

7 MR. HAINES: Ron Charles and I are working
8 very hard right now with corporate. We are coming
9 up with a plan. We hope to get something to act on
10 by the end of the Santa Anita meet.

11 COMMISSIONER SHAPIRO: All right. Would
12 it be fair to say that you'll come back to us by our
13 April meeting with a plan?

14 MR. HAINES: Yes. We are working with
15 corporate on that plan, and depending on their
16 tolerance with us, yes.

17 COMMISSIONER SHAPIRO: I mean we have to
18 improve that barn area. It's a quagmire when it
19 rains. It's uninhabitable, and we keep hearing
20 this, but nothing happens.

21 So I truly urge you to let corporate know
22 that we need to have a barn that's more acceptable
23 on that.

24 MR. HAINES: I will.

25 COMMISSIONER SHAPIRO: With respect to

1 your promotional efforts at this upcoming meeting,
2 can you give us some elaboration on how much and to
3 what extent you will be spending on advertising
4 dollars to promote this meet?

5 MR. HAINES: Yes. Our Vice President of
6 Marketing Allen Gutterman is here. He'll speak to
7 that.

8 MR. GUTTERMAN: Good morning. I can't
9 provide you right now. We're kind of in the process
10 of putting everything together, some of the
11 promotional ideas we have. But I can kind of give
12 you a rundown of some of the things we're going to
13 do and then give you greater detail before the next
14 meeting.

15 These -- the promotion will end in 2006.
16 Marketing plan for Santa Anita is layered with
17 distinct singular efforts aimed at increasing
18 frequencies for better players representing
19 extremely compelling offers.

20 At the same time we'll be aiming it to
21 reach latched players and frequent visitors,
22 including golfers, that they've never received
23 before and also build interest in our sport in the
24 horses that compete every day.

25 I can go into great detail if you'd like

1 right now. These include a 2006 version of "A Day
2 On Us." Once a month we will offer a day that is
3 totally free to all of our thoroughbred members,
4 free club pass admission, free general parking, free
5 program and racing form.

6 The initial versions of this have been
7 tested at the Oak Tree meeting and produced
8 astonishing results that indicate how price
9 sensitive a good portion of our audience is.

10 On the first try in early October, the
11 crowd was over 8400 people compared to a comparable
12 day in 2004 of about 4300 people and on-track
13 handles of about \$400,000.

14 On the second try this past Wednesday,
15 with a similar group of freebee offers, the crowd
16 was 7,126 compared to 3,332 in 2004. The on-track
17 handle was up \$352,000 from 950,000 last year to a
18 million three. And that was with 45 horses running.

19 On both days food and beverage revenue was
20 up significantly. We're still fishing around for
21 the right combination of mutual clerks, employees
22 needed, but it's been an encouraging experiment and
23 one we're going to continue into the winter.

24 We found that there definitely is a
25 correlation here between the basic cost the day of

1 the races and the willingness of a price-sensitive
2 clientele to show up under the right circumstances.

3 These were the two best attended
4 Wednesdays at Santa Anita since 2003. There is a
5 good lesson here that you can't go to the well too
6 many times with a promotion like this or it loses
7 its significance.

8 Just to kind of give you a thumbnail
9 summary of the things we plan to do. We plan to
10 launch another program called "I'm taking the day
11 off." This is going to be kind of a cheeky sort of
12 a peachy version of Las Vegas's "What happens here
13 stays here."

14 I love my job, I love my wife, I love my
15 kids, but I need to get away for a couple hours. So
16 I'm going to take the day off. It's my guilty
17 pleasure. I'm going to play the ponies. I'm going
18 to be here and be home before dark.

19 And Santa Anita is going to give you
20 everything -- it's going to do everything it can to
21 give you a reason to sneak away to the track for a
22 few races. We'll give you free clubhouse admission,
23 a free box seat, and a free program to get the day
24 started.

25 Guys used to sneak away to the track and

1 not tell anyone where they went. The track was a
2 sanctuary. Many tracks have enticed latched
3 players, people we haven't seen for a while to sneak
4 away from the work or maybe from chores at home,
5 call a buddy and hang out at the track for a few
6 races.

7 We'll try it twice with direct mail and
8 probably a campaign in the general media too. And,
9 you know, the track can be a guilty pleasure, and it
10 used to be. It's a good place to disappear.

11 In fact, this morning at the clubhouse
12 (inaudible) were shooting photos for a print ad of
13 fans at the track wearing fake noses, mustaches and
14 eyebrows sort of hiding in plain site, and that will
15 be part of this campaign here that we're a place to
16 disappear for a while.

17 This meet is -- we intend to be a happy
18 birthday from Santa Anita program. Everyone whose
19 birthday we have that falls between December 26 and
20 April 23 will receive a birthday card from Santa
21 Anita that will include two passes good for any day
22 during the month of their birthday.

23 So if anybody would like to get into Santa
24 Anita for free, give them your birthday and your
25 home address, and I'll send it to you before I

1 leave.

2 We're expanding our thoroughbreds rewards
3 and frequency program that has enjoyed success in
4 the past. We will provide excellent high-value
5 gifts like jackets, sweatshirts, event tickets for
6 visiting more often this year than you did last
7 year. The more you visit, the bigger the prize.

8 And then finally we're pretty close to
9 deciding to reinvent a good solid promotion. We did
10 this past spring and summer when I was at Hollywood
11 Park. This was called "Take Five with Fantasy
12 Reality Stable," and we'll call it something else at
13 Santa Anita and make some changes and hopefully some
14 improvements on it.

15 But basically everyone at the track on
16 opening day will have an opportunity to draft a
17 stable of horses that will belong to them for the
18 meet. As these horses earn money for their owners,
19 they will earn points for their Fantasy Reality
20 Stable owners.

21 The points double or triple. However, if
22 you attend the races on the day your horse is run,
23 then you also receive free admission on the day your
24 horse is run just as if you were a horse owner.
25 It's sort of like being the owner of a five-horse

1 stable without paying the bills.

2 It takes a little while to get rolling
3 after the initial draft because you've got to wait
4 for these horses to come back, but once they do,
5 loyalty and a chance to win money kick in.

6 And at Hollywood we signed up about 2800
7 players, and that accounts for over 8,000 visits,
8 and that was with a draft day when there were 10,000
9 people at the track.

10 The Santa Anita plan would be to get going
11 on opening day when we should open up the process to
12 a lot more players. There will be cash prizes for
13 the people whose horses earn the most and who come
14 the most to see them run.

15 We're also looking at at least one major
16 handicap in the tournament, and we're even thinking
17 about a poker tournament. We've got to see what the
18 costs are. And as we progress through the month of
19 November, we'll move forward. We're working on TV,
20 radio, and print advertising, but I think that's
21 where we stand at this moment today.

22 COMMISSIONER SHAPIRO: Can you tell us
23 whether your TV advertising and your print
24 advertising in comparison to last year, will you be
25 spending more money this year; and if so, can you

1 give us what percentage increase you'll be spending?

2 MR. GUTTERMAN: I think we'll be spending
3 something that's very similar to last year. And if
4 I may, I'd like to submit that to you in writing.

5 COMMISSIONER SHAPIRO: Okay. But we --
6 again, we need to promote it, and you need to
7 promote it. And as you know, we've had discussions
8 at the Board about this, and I think we backed away
9 from this when you see the exact numbers. But we
10 were told that we would be made aware of those
11 numbers, and I think we want to see those dollars
12 being spent.

13 Lastly -- and my question is not for you,
14 but it's more of a commentary with respect to the
15 racing program.

16 Unfortunately -- and I understand there's
17 been a virus in the barnyard, but the racing program
18 needs to be improved. And I would ask that on our
19 next meeting the agenda -- that we have a specific
20 agenda item to discuss the racing program in
21 California meets.

22 All too often as I'm watching your
23 backside, there are people who are investing in
24 young horses and buying horses, and frankly they
25 don't have a place to run those horses.

1 It appears to me that our racing quality
2 has gone down, and what we're looking at are
3 recycled claimers that are racing more often, and
4 most people who are investing and bringing horses
5 here don't have a place to go and race them.

6 So I would ask that at the next meeting of
7 this Board that we consider putting an agenda on
8 them for those people that, you know, buy a horse,
9 wins its maiden. Where do they go after that?

10 And I'm hearing that they have to sit in a
11 barn and can't find a race for them. And I think
12 that part of the problem is that these horses are --
13 cards are in the book. They don't fill and are not
14 using races.

15 Well, maybe they have to use them and feel
16 some pain until we get people to realize. But if
17 the chair will maintain on the record to put a full
18 agenda item on for that at the next meeting.

19 CHAIRMAN HARRIS: It's really an issue
20 I think between the horsemen and the track to
21 develop a program that best fits the model.

22 I don't know if the Board wants to
23 superimpose what they're going to do. I think
24 certainly we can work together and is there anything
25 the Board can do to enhance it?

1 I mean there are a lot of factors that go
2 into it. I don't know if we want to demand that
3 horses be run (inaudible) between the tracks and
4 horse races.

5 COMMISSIONER MOSS: I think you'll find
6 that if (inaudible) fuller fields and these horses
7 that originally he's talking about are not going to
8 get a chance to run.

9 CHAIRMAN HARRIS: (Inaudible) if we
10 don't have competitive fields. I mean it's a
11 balancing act. Not every field is going to be big
12 and there's a need to give opportunities.

13 But I think, as I see it, there is an
14 attempt to try to balance it. Maybe a lot of it is
15 just communication, but a lot of it -- I consider
16 the track services.

17 I think that the track services have been
18 in perception and reality not that good a lot of
19 times and people, you know, and aren't running the
20 horses because the horse has been injured or they're
21 afraid to run.

22 COMMISSIONER MOSS: Well -- and certainly
23 this is up for discussion. But maybe we shouldn't,
24 you know, limit Santa Anita to running 718 races.
25 Maybe we should keep that open so that if more races

1 are required to develop horses and develop stars,
2 which is what people come out to see, instead of
3 20,000 (inaudible) maybe something will happen.

4 COMMISSIONER SHAPIRO: I agree. I believe
5 that --

6 COMMISSIONER MOSS: Well, I disagree with
7 Mr. Shapiro that this should be brought up at the
8 Board to discuss at a full meeting next time.

9 CHAIRMAN HARRIS: Well, I clearly
10 think we should discuss it. I'm just trying to lay
11 out the pros and cons.

12 COMMISSIONER SHAPIRO: You know, if that
13 means -- and I understand the issue of purse
14 generation. But that means there's a race that's in
15 the book and it only attracts three or four horses
16 and it's not necessarily a good betting race.

17 My view is that that race should go, and
18 if they want to race an extra race that day, it's a
19 bigger field, then let them race an extra race. But
20 we're not going to build inventory unless we move
21 these young horses along and give them racing
22 opportunity.

23 And I agree with you. I think we should
24 perhaps elaborate the discussion to also include
25 track surfaces because I just came from Crawfords

1 Corner, and I'm hearing that the problem is that the
2 track surfaces are perceived to be unsafe.

3 And whether they're unsafe or not unsafe,
4 as long as there's that perception, we have to deal
5 with that, and we have to change that perception.
6 So perhaps we can put that on the agenda and discuss
7 both issues at the next meeting.

8 MR. COUTO: Drew Couto, Thoroughbred
9 Owners of California. As I understand the proposal,
10 it's not questioning the relationship between the
11 track and horsemen as far as the right to negotiate
12 these purses.

13 But we too feel that the industry might
14 benefit by having a little more light shown on this
15 process and everybody understand what's going on and
16 hear everyone's views, and this might be an
17 appropriate forum to do it.

18 So we would not be opposed if it did
19 become an item for discussion at the Board again
20 with the recognition that this will remain the
21 responsibility of the appropriate horsemen's
22 organization and negotiate the terms with the racing
23 association. But it should probably see the light
24 of day, and we support that.

25 CHAIRMAN HARRIS: That's my point. I

1 think we obviously need a lot of discussion,
2 probably about a week-long meeting to sort it out.

3 But I think still we've got to keep in
4 mind now the horsemen and tracks -- if the horsemen
5 decide that they want to have any race in the book
6 go and you've got one horse in it, they conceivably
7 can negotiate that.

8 COMMISSIONER SHAPIRO: Well, all I'm
9 saying is I think that our racing program in the
10 State of California is not necessarily growing by
11 leaps and bounds, and we have to discuss issues of
12 how we're going to improve that program, and one of
13 these issues is finding a way to move young horses
14 from maidens into inventory.

15 And I think it should be a discussion that
16 is fully held so that we can understand and help
17 each other. And that's the point of this meeting.
18 So why don't we have that meeting and discuss it.

19 CHAIRMAN HARRIS: Yeah. I think all
20 of us were talking about the fantasy horse racing.
21 Well, it should involve fantasy racing centers too.

22 But anything else on the Santa Anita
23 application? I think -- I mean obviously last
24 season was disappointing. I think a lot of it was
25 the weather, and I'm encouraged by some of the

1 things you're doing, and I think a lot of it would
2 be -- this would be a key season to start turning
3 this ship around.

4 MR. HAINES: We're looking forward to a
5 great meet if we don't have any weather problems
6 like we encountered last year. That was pretty
7 unusual. So we look forward to going ahead.

8 COMMISSIONER SHAPIRO: I'll move to
9 approve the application.

10 COMMISSIONER MOSS: Second.

11 CHAIRMAN HARRIS: All in favor.

12 (Speaking simultaneously): "Aye"

13 EXECUTIVE DIRECTOR FERMIN: The next is
14 application for Los Alamitos Quarter Horse. This is
15 actually a yearlong meet from December 26, '05 to
16 December 17, '06.

17 MS. WAGNER: Jacqueline Wagner, CHRB
18 staff. The application before you is from the Los
19 Alamitos Quarter Horse Racing Association. They are
20 proposing to race from December 26, 2005 through
21 December 17, 2006 for 201 days.

22 The association is proposing to race a
23 total of 2,048 races. They will be racing four
24 nights a week, Thursday through Sunday, 7 to 15 live
25 races per night and six to twelve simulcast races.

1 They will be racing Monday, December the
2 26th. The first live post is 7:15 P.M. on Thursday
3 and Friday with a 7:00 o'clock post on Saturday and
4 a 5:30 post on Sunday.

5 The analysis indicates that the horse
6 (inaudible) as well as the audited financials. I'm
7 pleased to report that this morning I did receive a
8 copy of the horsemen's agreement, and we also did
9 receive a draft copy of the audited financial
10 statements.

11 There is a representative from Los
12 Alamitos here if you have any questions. Staff
13 would recommend the Board approve the application
14 contingent -- that you approve the application as
15 presented. Thank you.

16 EXECUTIVE DIRECTOR FERMIN: We still don't have
17 audited financials?

18 MS. WAGNER: We have a draft of the
19 audited financial statements, and I have submitted
20 those to John Reagan, and he can answer those
21 questions.

22 COMMISSIONER SHAPIRO: What years are
23 those audited financial statements for?

24 MR. REAGAN: Commissioner, John Reagan,
25 CHRB staff. The financials cover the years

1 2003/2004, a year-end statement for those two years.

2 CHAIRMAN HARRIS: And they're only in
3 draft form?

4 MR. REAGAN: Yeah. Apparently in some of
5 the notes there were some concerns, and the
6 representatives wanted to discuss with me what we
7 might want to see and what they might or might not
8 include in some of the notes, and I told them that
9 we would discuss that, and it's just a couple minor
10 points. And once we resolve that and then the
11 auditor is done, and they can go ahead and sign off
12 on the financials as they are.

13 COMMISSIONER SHAPIRO: When will that be
14 resolved?

15 MR. REAGAN: Monday.

16 CHAIRMAN HARRIS: I think we need,
17 just to be assured, that they have adequate
18 reserves, which I think they would. But it's
19 important that we do that in the early application.

20 MR. REAGAN: Yes. The audited financials
21 in terms of the numbers indicate a substantial
22 partners capital for the group that we're talking
23 about. It's actually the Los Alamitos Race Course, a
24 California general partnership.

25 And it's here, and we have total assets of

1 approximately 35 1/2 million, and of that
2 approximately half of that is the partners capital.
3 So they're well capitalized in terms of their
4 reserves.

5 CHAIRMAN HARRIS: Okay. Anything else
6 on this application?

7 COMMISSIONER SHAPIRO: Yeah. I note that
8 in their management and staff they don't list a
9 racing secretary. Is there a reason? I assume they
10 have a racing secretary or a director of racing.

11 DR. ALLRED: Edward Allred, chairman of
12 Los Alamitos. Yes. Ron Church has been our racing
13 secretary for many years. (Inaudible)

14 CHAIRMAN HARRIS: Yes. It's there
15 actually.

16 COMMISSIONER SHAPIRO: Where?

17 EXECUTIVE DIRECTOR FERMIN: Under "Racing
18 officials." It's back. It's like about in the
19 middle of the application.

20 CHAIRMAN HARRIS: Any other questions
21 of Los Alamitos?

22 COMMISSIONER SHAPIRO: Dr. Allred, I
23 noticed that in your purse distributions that your
24 purse funds generated from on-track handle, and
25 intrastate off-track handle, the current meet

1 estimate was down by over a million one from prior
2 years. And I'm just -- and the same thing, purse
3 funds to be generated from interstate was up about
4 800,000.

5 Was there some shift or something there?

6 DR. ALLRED: Yes. Clearly. As you can
7 see, the shift was TVG. We are great advocates of
8 the present exclusive contract we have with TVG that
9 feature us around the country on a show called
10 "Quarters" every night.

11 No one else would ever possibly be able to
12 do that, and we're -- contrary to some of the
13 opinions expressed here before, we are very much in
14 favor of the exclusive contracts and giving TVG the
15 opportunity to give the great TV exposure it has.

16 It's been huge for us, and the account
17 wagering within the state of California, we're
18 definitely off track -- on track rather, and along
19 with satellites facilities in California which has
20 made up for largely part of the increased betting
21 within the state of California and without on TVG
22 and other networks as well, but TVG is a primary
23 benefactor to us on that.

24 CHAIRMAN HARRIS: What sort of growth
25 are you saying? As I understand it was encouraging,

1 but what sort of growth are you seeing with TVG?

2 DR. ALLRED: I don't have the stats in my
3 head, but they're very impressive. I can prepare
4 that for you. They're very impressive.

5 CHAIRMAN HARRIS: Finally, Dr. Allred,
6 I did see in -- assuming it's just an oversight. I
7 did see in the application where -- that you would
8 be accepting -- importing a signal from Sacramento
9 Harness Racing in your simulcast program. Are
10 you doing that?

11 DR. ALLRED: We've been doing that for --
12 in the way that I think you're talking about, for
13 three or four months even before the new regime. We
14 have a very good relationship with the horsemen and
15 the Sacramento Racing Association, Horse Racing
16 Association. We're looking forward to years of
17 peace, and I'm sure you'll all be glad to know that.

18 COMMISSIONER SHAPIRO: We'll clap.

19 DR. ALLRED: Thank you for your help on
20 that.

21 COMMISSIONER SHAPIRO: It will be
22 continued. I didn't see it on the application. I
23 have no other questions.

24 CHAIRMAN HARRIS: Any other questions?
25 Any comments from the audience or the Board?

1 Motion to approve.

2 COMMISSIONER SHAPIRO: So motioned.

3 CHAIRMAN HARRIS: Second?

4 COMMISSIONER MOSS: Aye.

5 CHAIRMAN HARRIS: Motion to approve.

6 All in favor.

7 (Speaking simultaneously): "Aye"

8 EXECUTIVE DIRECTOR FERMIN: Next is application
9 to conduct horse racing at Bay Meadows Racing
10 Association horse racing December 26 through
11 February 5.

12 MS. WAGNER: Jacqueline Wagner, CHRB
13 staff. This application is from the Bay Meadows
14 Racing Association. And they are proposing to race
15 from December 26, 2005 through February 5th, 2006.
16 They will be racing 31 days.

17 They are proposing to race a total of 267
18 races or 8.6 races per day. They will be racing
19 five days per week, Wednesday through Sunday with
20 eight races weekdays and nine and ten races on
21 weekends, holidays and special dates of interest.

22 They will be racing on December 26,
23 January 2 and January 16. Their first post times
24 proposed is 12:45 P.M. daily, and on street day,
25 which is February 4th, they will have a 12:15 post.

1 Super Bowl Sunday, which is February the 5th, they
2 are proposing an 11:15 P.M. post.

3 The analysis indicates that the
4 horsemen's agreement is missing. Again, I will
5 reiterate that I have been notified that the issues
6 concerning the horsemen's agreement have been solved.
7 I'm just waiting for them to sign an agreement.

8 There should be a representative here to
9 answer any questions. Staff would recommend that
10 the Board adopt the agreement condition upon us
11 receiving that signed agreement.

12 CHAIRMAN HARRIS: Any questions or
13 comments on this application?

14 COMMISSIONER SHAPIRO: I only have two,
15 and the first one is actually for Mr. Reagan.

16 Mr. Reagan, in -- contained in the
17 application of financial statements for what appears
18 to be a partial year 2004, and on top of it, it's
19 independent counsel report on applying agreed-upon
20 procedures.

21 And when I looked at the financial
22 statement, frankly I don't understand what this is.
23 This doesn't appear to me to be an audited financial
24 statement.

25 MR. REAGAN: I think, Commissioner, what

1 we're working with here is a start-up situation
2 whereby the new group has been formed and they're
3 simply getting together and getting started.

4 After they have one full year of
5 operation, of course then they will have something
6 to audit and something to work with. But right now
7 I think what you're seeing there, what is troubling
8 to you maybe is the fact that we're simply a
9 start-up organization at this point.

10 COMMISSIONER SHAPIRO: Why is this a new
11 start-up organization?

12 MR. REAGAN: Yeah. This is a group that
13 superseded the magna ownership of the -- operation,
14 I should say, of the racetrack at Bay Meadows.

15 What was it -- at the end of 2004, Magna
16 that no longer operated Bay Meadows and the new
17 group. Bay Meadows Racing Association then was
18 sworn to continue the operation of racing at Bay
19 Meadows.

20 COMMISSIONER SHAPIRO: Okay. But they
21 just completed a race meeting. Didn't this group --

22 MS. WAGNER: Maybe if I could just clarify
23 what's happening.

24 MR. LIEBAU: Bay Meadows Racing
25 Association has now conducted two meets, both in the

1 CHRB fiscal year beginning December 26, 2004 and
2 ending December 22, 2005.

3 In connection with our initial application
4 that we've related to our spring meet in 2005, in
5 anticipation of questions that we figured you'd ask,
6 Mr. Shapiro, we submitted to the Board a financial
7 statement that was reviewed by an auditor along with
8 proof, I think, from Citibank that \$2 million had
9 been funded for this organization.

10 And on that basis, the commission granted
11 us our initial permit, our application, and we have
12 now successfully operated two meets and been in
13 business for a year, and they're now before you for
14 licensing for our third meet which commences on
15 December 26.

16 COMMISSIONER SHAPIRO: So there's no
17 change, in essence? It's exactly what we licensed
18 before the same.

19 And can you just tell us in terms of how
20 your advertising budget, your marketing budget for
21 this meeting, how it compares to your prior meets?

22 MR. LIEBAU: Well, I think --

23 COMMISSIONER SHAPIRO: I know it's apples
24 and oranges.

25 MR. LIEBAU: It's up a little bit, and

1 there are different dates involved, and this is for
2 a shorter week.

3 But if you look on page -- I think it's 13
4 of our application -- we have submitted for your
5 review I think almost a daily of what the
6 advertising is. I'm sorry. It starts at Page 13 in
7 the upper right-hand corner. It's day-by-day
8 starting on the 26th as to what our marketing plan
9 is.

10 COMMISSIONER SHAPIRO: Right. I wasn't
11 asking about the marketing plan. I'm talking about
12 the media.

13 MR. LIEBAU: It will be adequately
14 supported as you know, Mr. Shapiro. We've just
15 finished up a meet, and we were up substantially,
16 and that was because of our commitment to marketing,
17 and that commitment will continue.

18 COMMISSIONER SHAPIRO: Okay. Thank you.

19 CHAIRMAN HARRIS: Anything else on
20 this?

21 If not, can I hear a motion?

22 COMMISSIONER MORETTI: I'll make a motion.

23 CHAIRMAN HARRIS: Moved by
24 Ms. Moretti.

25 (Speaking Simultaneously): "Second"

1 CHAIRMAN HARRIS: All in favor to
2 approve.

3 (Speaking simultaneously): "Aye"

4 CHAIRMAN HARRIS: Next item is
5 discussion and action by the Board Northern
6 California race dates for 2006.

7 MR. REAGAN: Commissioner, John Reagan,
8 CHRB staff. The Board of Directors of Cal Expo held
9 a meeting last Friday. A letter was delivered to
10 us. You probably have a copy near your binder.
11 This was shoved in my hand as I was leaving for this
12 meeting, but I did bring copies, and you should have
13 one there.

14 Essentially they're asking that we
15 continue the experiment that was done this year.
16 That is to say that they will run a harness meet
17 before, during, and after their state fair time
18 frame, and they're asking that you approve that for
19 2006.

20 They also ask that for 2007 we still hold
21 open the possibility of returning to the traditional
22 mixed-breed meet for that year's state fair. So
23 that's essentially what we have.

24 And so the real proposal before us is the
25 dates for 2006. In the package we have put together

1 a bar chart, and what we're doing now of course is
2 the last line is the harness line, and we have an
3 empty box sitting there for late July and through
4 the part of August and September.

5 And in a sense what we're doing now is
6 filling in that box. Their request is that we fill
7 in that box for Cal Expo harness at that time.
8 That's essentially the situation.

9 COMMISSIONER MORETTI: Is someone from Cal
10 Expo here who can address the issue?

11 CHAIRMAN HARRIS: I'm not sure how
12 much latitude we have on this. I personally would
13 prefer that you continue with the traditional
14 mix-breed meet, but Cal Expo owns the property. I
15 don't think we can really mandate how they use it
16 unless we did that by not allowing to have a horse
17 meet there.

18 COMMISSIONER MORETTI: I just thought that
19 since there has been some controversy over it, maybe
20 Mr. Towne could share.

21 MR. TOWNE: Norm Towne representing the
22 Cal Exposition and State Fair. And I'm happy to
23 answer any questions.

24 The Fair Board, after hearing the
25 financial data that we accumulated from the last

1 years' experiment decided to move forward with
2 another year of harness in lieu of their traditional
3 mixed-breed meeting and also have instructed staff
4 at the state fair to pursue a feasibility study for
5 the installation of an inner-track, both looking at a
6 turf track possibility and a five-eighths mile dirt
7 track to accommodate a situation where we have a
8 true mixed breed meet of harness racing and the
9 traditional thoroughbred/mixed breed meeting.

10 Right now I think Mr. (inaudible) is here
11 from Sacramento harness racing. But I think he
12 would back me up with the fact that had the
13 California Exposition and State Fair not operated a
14 harness meet this year, they wouldn't be doing as
15 well as they are today.

16 Some people have characterized what
17 happened during the state fair as quote, unquote, "a
18 disaster" in terms of handling and so on. But
19 disasters are all relative. I mean as far as a
20 thoroughbred versus harness, it may have been a
21 disaster. But harness versus harness, it was a
22 success.

23 The 16 days that we operated, that have
24 been operated since the state fare closed, for
25 example, versus 16 days of operation in 2004, the

1 current Sacramento harness meet is up 90 percent in
2 handle, 16 light racing days compared to 16 light
3 racing days.

4 And I think that's mainly due to the fact
5 that they had an immediately preceding meet. They
6 didn't have that two-month break that they
7 historically have had. In addition, they started
8 right off with four-day race weeks this year which
9 actually allowed them to conduct 22 days of racing
10 in that same time frame.

11 And so if you look at those 22 days,
12 they're up 25 percent in handle, and of course that
13 translates into a like -- in fact a greater increase
14 in purses. They're up 14 percent in purses when you
15 look 16 days of 16 days. And when you look at the
16 entire time frame, they're up 29 percent in purse
17 account.

18 It's undoubtedly been a great success for
19 the harness people. In addition, they haven't had
20 to layoff, which was costly to them. And they now
21 have a place to race on a year-round basis, and
22 hopefully, as we said earlier, we can accommodate
23 both situations in the future.

24 CHAIRMAN HARRIS: My main concern is
25 that the state fair had such a long history and did

1 attract, you know, significantly more people to live
2 racing during their meet than the horse people did
3 running a horse meet as Cal Expo did.

4 Is there some reason to think that they're
5 going to do better if we do it again? I don't
6 really know if I buy into this experiment theory
7 that "We did an experiment. It didn't work out too
8 well. So let's do it again."

9 Does that mean because it may work better
10 the next time or that it just kind of works because
11 of a year-round schedule?

12 MR. TOWNE: Well, no one can say with
13 certainty, but I think we'll do better. I mean
14 clearly last year when they decided to do this, it
15 was late in the ball game. Cal Expo was thrust into
16 the situation where they almost were forced to
17 operate.

18 And, you know, they also were going on
19 with an extension of their own fair which is another
20 situation that played into what happened. I think
21 that when you look at this year's harness experiment
22 versus, let's say, the Board decides to go with next
23 year, next year we will do better.

24 Now, again, it's going to be relative. I
25 don't think we'll draw the crowds that we drew for a

1 thoroughbred meet. That's not going to happen.

2 But in the world of harness racing, I
3 think you're going to see an increase because we
4 will have time to go on. There will be continuity
5 between the Sacramento harness meeting which will be
6 conducted immediately prior to that and our opening
7 on July 3, which that didn't occur this year.

8 CHAIRMAN HARRIS: Any comments from
9 the Board?

10 I did get a lot of letters and comments
11 from people that were concerned about Sacramento
12 basically not having any thoroughbred racing. The
13 only thing I can see -- I can't see where we can
14 make any kind of a guarantee to Cal Expo that we
15 will in fact give them dates whenever they want to
16 come back.

17 I mean I think it's got to be clear to
18 them this isn't some kind of a waiver that they can
19 come back and necessarily get the same thing that
20 they've had historically.

21 COMMISSIONER MORETTI: Well, at such time
22 that that becomes an issue. I mean obviously we
23 have to weigh as to what's best for the whole
24 industry.

25 Personally I think that giving the harness

1 folks a shot at this is very important to California
2 racing because it's the only game in town at the
3 moment up in Sacramento.

4 So I would actually -- I saw Ralph here
5 somewhere.

6 Oh, Ralph. Could you -- I did have a
7 question though. Because, as our chairman said, a
8 lot of us -- especially up in Sacramento there was a
9 lot of controversy. There were a lot of people who,
10 because of tradition, just absolutely hated the fact
11 that there was no thoroughbred racing at the state
12 fair this year.

13 I would certainly applaud and encourage if
14 we could get the intertrack. That would be fabulous
15 and have the mixed-breed racing. That would be
16 wonderful.

17 But until such time that that happens,
18 Ralph, perhaps you could comment on behalf of the
19 new group, new ownership, what kinds of things you
20 might be doing vis-a-vis marketing or something over
21 the course of the next year so that, come state fair
22 time again next year, people will be more willing to
23 accept the harness racing, more encouraged to come.

24 MR. SCURFIELD: Ralph Scurfield,
25 Sacramento Harness. Yeah, in fact I brought some

1 things that -- some of the things that we're doing
2 with the public that -- I'll give them to you and
3 maybe I'll let you pass them around.

4 COMMISSIONER SHAPIRO: What would be the
5 effect if the harness racing was during the fair --
6 what was post time during the fair this past year?

7 MR. SCURFIELD: I can't give you the exact
8 numbers, but I do know that we were helpful in
9 working with the fair in that, for one thing, they
10 started too early. They were then --

11 COMMISSIONER SHAPIRO: What was first
12 post?

13 CHAIRMAN HARRIS: Was it day racing or
14 night racing?

15 MR. SCURFIELD: It was evening racing. It
16 started early in the late afternoon.

17 COMMISSIONER SHAPIRO: What would happen
18 if during those 16 days it was conducted at the same
19 hours as prior meets that were thoroughbred or mixed
20 breeds running during the fair which was daytime?

21 Do you think that that would help during
22 that period of time to get people to come out?
23 While they're not seeing thoroughbreds, they still
24 would have the ability to come to the fair, have
25 lunch. Would that help?

1 MR. SCURFIELD: The ability to get
2 wagering would be greatly hurt when they're
3 competing with all the other things that are going
4 on in California and other places during the
5 daytime.

6 Two things that are really important.
7 Number one -- and I'm sure other people will back me
8 up that, if harness went away during the fair racing
9 last year, they would not come back. They couldn't
10 pay their grooms. They couldn't do any of those
11 things. That's a fact.

12 The other thing is at the Cal Expo board
13 meeting when they asked for future consideration if
14 they could work something out to bring the
15 thoroughbred and mixed breed back, there were about,
16 I'd say, 15 people there asking to see their horses
17 run in Sacramento.

18 That was the key issue because, frankly,
19 there was no reduction in racing while we did the
20 harness. There was just racing at a different
21 venue. But there were many people in Sacramento
22 that could not see their horses. There were some
23 people that loved to come out in the daytime and see
24 anybody's horses run.

25 But they would see horses with the jockey

1 and prefer that during the daytime. But that has
2 been diminishing terribly just on its own before
3 harness.

4 And now what we're investigating together
5 with ourselves and Cal Expo is the inclusion of
6 another track so that we could accommodate all of
7 these people. We could accommodate the horsemen and
8 the harness people by having a continuous meet where
9 they wouldn't have this constantly two-month layup
10 somewhere that nobody knows where.

11 And we could also accommodate some of the
12 people that like to see the horses run during the
13 day standing up at the fair, and hopefully I think
14 what Cal Expo is saying, "Please, if that doesn't
15 work, please continue -- consider our ability to go
16 back to what we had before. We don't want to lose
17 out on both."

18 CHAIRMAN HARRIS: I think we need to
19 take a look at it. The other issue was Fresno Fair
20 had a lot of people that were concerned. I believe
21 somebody said they saw a form with 400 signatures on
22 it because of the gap. (Inaudible) Sacramento doing
23 different things, but it created a gap between --
24 whatever the last fair was and Fresno because not
25 that many of the mixed breed people were going to

1 San Mateo.

2 But I think we need to keep moving along
3 here because really the issue we've got now isn't so
4 much what's the best format for Sacramento but what
5 are we going to do if we've got that void. What's
6 the best format for Northern California racing? We
7 need to refer that back to the dates committee
8 because there was a program on that for '05, but I
9 don't know if it's a given that the '05 program is
10 chiseled in stone or if you want to open the whole
11 thing up.

12 COMMISSIONER SHAPIRO: I think '05 there
13 was complete agreement by all the parties that if
14 the Cal Expo Board came back as they have, that we
15 will leave the calendars intact just the way they
16 are and it will be approved.

17 In terms of moving beyond that, as you
18 will recall, we agreed that the dates committee
19 would meet at an earlier stage to try to look at
20 more comprehensive planning and revisions to the
21 calendar.

22 And so my view of that is that we would
23 probably start dates meetings as early as February
24 and try to get more comprehensive discussions.

25 CHAIRMAN HARRIS: I think that's what

1 we need to do is see if we continue. What
2 happened --

3 COMMISSIONER SHAPIRO: I would recommend
4 that we just accept the decision here that we made
5 back when we approved the original calendar and
6 allow Cal Expo to race harness this meet and that we
7 consider future years as we do future calendars.

8 COMMISSIONER MORETTI: Is that a motion?

9 COMMISSIONER SHAPIRO: I'll make that a
10 motion. Thank you.

11 EXECUTIVE DIRECTOR FERMIN: Second?

12 CHAIRMAN HARRIS: All in favor.

13 (SPEAKING SIMULTANEOUSLY): "Aye."

14 CHAIRMAN HARRIS: Discussion and
15 action by the Board on the request of the CTHF for
16 approval of recently appointed board of director
17 members per our Rule 2040.

18 MR. REAGAN: Yes. But, Commissioners, we
19 have an administrative situation here, but the CTHF,
20 which does provide the services to backstretch
21 personnel at the thoroughbred tracks has renominated
22 two directors and added another third person as a
23 new director.

24 And I'd like to say the rule does require
25 our approval, and they are requesting that we

1 approve these three. We've done a brief background,
2 and we find there's no reason not to approve these
3 folks, and we recommend that you do so.

4 CHAIRMAN HARRIS: Who are the three?

5 MR. REAGAN: Noble Threewit. I think you
6 might have heard of him. Jerry Forrester and John
7 Kelly.

8 COMMISSIONER SHAPIRO: Sketchy people.

9 CHAIRMAN HARRIS: Okay. Is there a
10 motion to do that?

11 COMMISSIONER SHAPIRO: So moved.

12 COMMISSIONER MORETTI: Second.

13 EXECUTIVE DIRECTOR FERMIN: All in favor.

14 (SPEAKING SIMULTANEOUSLY): "Aye."

15 CHAIRMAN HARRIS: Next, public hearing
16 by the Board on the adoption of the rules CHRB
17 1609.1, toe grabs.

18 Ms. WAGNER: Jacqueline Wagner, CHRB staff.

19 As you know, the University of California
20 at Davis has conducted several studies to determine
21 the role of toe grabs as a risk factor in
22 (inaudible) injuries in racehorses.

23 Toe grabs are traction devices that are
24 applied to the front of the ventral surfaces of
25 horseshoes that are worn by our horses. They are

1 classified as: Very low, which is two millimeters
2 in length; low, four millimeters; regular, six
3 millimeters; and high, eight millimeters.

4 This proposed addition of Rule 1609.1
5 would provide that toe grabs with a height greater
6 than four millimeters worn on the front shoes of
7 thoroughbred horses while racing are prohibited.
8 The rule has been noticed for 45 days.

9 Staff has heard no comments on the rule
10 and would recommend that the Board adopt Rule 1609.1
11 as presented.

12 CHAIRMAN HARRIS: This is something
13 we've been working on for several years and the
14 research was completed. We've had several meetings
15 on it.

16 But any comments at this time?

17 Hearing none, do we have a motion?

18 COMMISSIONER MOSS: Motion.

19 CHAIRMAN HARRIS: Moved by Mr. Moss.

20 Second by Mr. Andreini to approve the
21 rule.

22 All in favor.

23 (SPEAKING SIMULTANEOUSLY): "Aye."

24 CHAIRMAN HARRIS: That will be a major
25 breakthrough for California.

1 The next is a rule on 1902.5, animal
2 welfare.

3 MS. WAGNER: Jacqueline Wagner, CHRB
4 staff.

5 This proposed addition of Board Rule
6 1902.5 provides that no person under the
7 jurisdiction of the Board shall permit or cause an
8 animal under its control or care to suffer any form
9 of cruelty, mistreatment, neglect or abuse.
10 Currently if a licensee is charged with mistreatment
11 of an animal, we use Rule 1530 cases not covered by
12 rules and regulations.

13 The addition of this rule will cover areas
14 that Rule 1530 currently leaves vacant or open to
15 ambiguity. The rule has been noticed for 45 days.
16 Staff has heard no comment on the rule and would
17 recommend that the Board adopt the rules as
18 presented.

19 CHAIRMAN HARRIS: Any comments on this
20 rule?

21 Is there a motion?

22 COMMISSIONER SHAPIRO: So moved.

23 CHAIRMAN HARRIS: Second?

24 Moved second to approve. All in favor.

25 (SPEAKING SIMULTANEOUSLY): "Aye."

1 COMMISSIONER MOSS: Excuse me. Is there
2 any penalty?

3 CHAIRMAN HARRIS: What is the penalty?

4 MS. WAGNER: If the person is charged with
5 a violation of this particular rule, it would go
6 through our normal process in terms of penalties.
7 The stewards would be the ones who investigate the
8 penalties.

9 CHAIRMAN HARRIS: Do we have
10 guidelines for different types of offenses?

11 MS. WAGNER: At this juncture we are
12 currently working on penalty guidelines. I'm sure
13 the stewards will have some type of guidance as to
14 (inaudible) administrative penalty for violation of
15 this particular rule.

16 CHAIRMAN HARRIS: I think the problem
17 was there's a lot of civil law on animal cruelty
18 that somebody could be prosecuted by the district
19 attorney, but we didn't really have a horse rule on
20 it.

21 EXECUTIVE DIRECTOR FERMIN: In the past there
22 have been penalties that have been bigger fines and
23 in some cases suspensions.

24 CHAIRMAN HARRIS: Okay. Let's go onto
25 the discussion of the Jockey's Guild.

1 MR. REAGAN: Commissioners, John Reagan.
2 Just briefly before we get into discussion, we just
3 outlined that there was a congressional hearing with
4 the Jockey's Guild. It looked like it was kind of a
5 rough time. We've included several articles
6 regarding what occurred at the time.

7 More importantly, we've had these same
8 concerns, and we've been negotiating and preparing
9 for several months now, and I can tell you that the
10 Department of Finance under -- with our guidance and
11 help will be going into the Jockey's Guild here in
12 Monrovia with approximately -- November 15 they'll
13 start probably what will be a four- to six-week
14 review of the Jockey's Health and Welfare Fund, the
15 Disabled Jockey's Fund and the new endowment.

16 So we're making progress in there in that
17 direction, and we're open to any questions or
18 comments you may have.

19 CHAIRMAN HARRIS: Any comments on
20 this?

21 COMMISSIONER SHAPIRO: I can just update a
22 little bit more. I have been in contact with the
23 congressional investigators that are dealing with
24 this matter, and they've asked me to come back to
25 Washington and testify.

1 There will be a follow-up hearing on
2 November 17 at which additional testimony will be
3 taken. I also have been speaking with Barry Broad
4 who formally was the jockey's legislative advocate
5 and attorney in California who resigned from the
6 Guild.

7 He is now working with a group of jockeys
8 who are favoring a reorganization of the Guild.
9 There is a meeting of the Guild's senate, as they
10 call it, that has been called for November 15.
11 There are considerable issues of concern as -- and
12 for that purpose we are moving forward with a
13 forensic audit.

14 I've also been speaking with John Munic,
15 who is an insurance broker for health insurance, and
16 just yesterday I received from him, based on the
17 incomplete census data that we have received from
18 the Guild's control room --

19 And I should add we met four months or so
20 ago with TOC and ourselves and staff seeking that we
21 wanted to see competitive bids for alternative
22 health insurance than the self-insured program that
23 the Guild has because we have concerns about some
24 disparity in the numbers and the way in which those
25 funds are being -- had been allocated.

1 As a result of that, I asked Mr. Munic to
2 come out and give us some quotes. He has delivered
3 to me, as I said, yesterday three alternative
4 insurance quotes that would be within the monies
5 that are generated from uncashed pari-mutuel tickets
6 that are allocated to this health and welfare plan
7 that would be from providers such as Blue Cross and
8 Blue Shield. And those were conservative estimates
9 because we didn't have all the data that we need.

10 Needless to say, I'm hoping that they're
11 going to get answers to a lot of unanswered
12 questions that we've had through both the audit and
13 furtherance of the congressional hearings that will
14 be continuing.

15 CHAIRMAN HARRIS: Yeah. I think a lot
16 of it evolves around the workers' compensation
17 issue, which California has a good law on and the
18 jockeys are covered. Nationally a lot of states do
19 not have workers' compensation for jockeys because
20 they're considered independent contractors.

21 As national legislation moves forward, we
22 need to make sure that it somewhat meshes with
23 what's going on in Southern California.

24 COMMISSIONER SHAPIRO: They are well aware
25 that we are a workers' comp state, and I've asked

1 staff to provide to us what the parameters of that
2 coverage are because they've asked me to provide
3 that to them.

4 And I'm also planning to discuss at that
5 hearing the comprehensive health study with respect
6 to jockeys' health and potential scale of weights.
7 They've asked to be informed about that.

8 They will also be inquiring about track
9 safety and issues concerning track safety, and I
10 believe that other representatives from California
11 will be testifying at that hearing as well about
12 some of those issues.

13 And, again, that's November 17, and it
14 is -- you can watch it via the Internet.

15 CHAIRMAN HARRIS: Okay. I appreciate
16 your going back there for that.

17 Anything else on this issue?

18 Actually I skipped -- well, have we got a
19 report from the ad hoc committee on the progress of
20 establishing procedures for ensuring public
21 disclosure and accuracy of jockey weights?

22 COMMISSIONER SHAPIRO: Yes. As you'll
23 recall at our meeting in Fresno, we had a
24 demonstration as to what -- in the weighing
25 procedures and the discussion pertaining to a

1 transparency of that and disclosure to (inaudible).

2 The ad hoc committee did meet which
3 represented a full consensus of industry interests
4 of trainers, jockeys and tracks. And from that
5 meeting we did circulate to all of the tracks the
6 way in which we are moving forward to establish a
7 uniform method and procedures to both weigh out and
8 then weigh back in.

9 The meeting was very productive and
10 included that we will be putting into the racing
11 program an explanation as to what the weight is that
12 horses are carrying on each racing day because
13 there's clearly misperception that, when the
14 published weight may say 120 pounds, that does not
15 include all the weights.

16 So as in your package you'll see that
17 there was language that everybody agreed to with
18 respect to what the language would be in the
19 program. But we will be having a subsequent
20 meeting. We are looking at scales that will provide
21 printouts, and also we will have cameras on the weigh
22 out.

23 We also will have the scale located
24 outside the jockey's quarters so that no jockey has
25 an opportunity to go back and make any alterations

1 to their equipment. We will be weighing each
2 jockey's safety equipment so we'll know exactly how
3 much weight that is.

4 And then there are studies that are being
5 undertaken to see if we can get uniform weights in
6 terms of saddlecloths and other things. So that we
7 can at least be clear as to what we're doing and add
8 an oversight by having either a steward or official
9 there to oversee the program.

10 CHAIRMAN HARRIS: I think it's
11 excellent because, as you say, the transparency is
12 the key. Plus also, if we've got transparency, it's
13 got to be right.

14 COMMISSIONER SHAPIRO: It's got to be
15 accurate. And it's -- before we find that we have a
16 real problem as they did in New York, we're trying
17 to be ahead of the curve.

18 CHAIRMAN HARRIS: Yeah. That's good.
19 Let's take a quick break and come back and finish
20 up.

21 (Whereupon, a recess was held
22 from 11:30 A.M. to 11:44 A.M.)

23 CHAIRMAN HARRIS: Let's please move
24 back in and start the meeting. Let's go ahead and
25 reconvene.

1 Okay. The next item I put on the agenda I
2 just put on there to generate a little bit of
3 discussion because it's something that's always
4 being discussed in racing circles, and there's no
5 silver bullet. But it is distressing that we're
6 seeing declines.

7 We're seeing a few ups actually in some
8 tracks, but what can we do to increase the overall
9 popularity of horse racing?

10 I just want to put that on the agenda to
11 stimulate any discussion to be a continuing item.

12 Does anyone have any insight?

13 MR. TOWNE: Norm Towne representing Norm
14 Towne. I came to the microphone so that you're not
15 completely chagrined at the fact that no one is
16 interested in increasing the popularity.

17 To me racing is extremely popular. I have
18 a different viewpoint. I mean when you can go to
19 the Kentucky Oaks and the Kentucky Derby on
20 successive days and see a hundred thousand plus
21 people on one day, it's not an unpopular sport.
22 It's extremely popular.

23 I mean the opening day at Del Mar, 40 plus
24 thousand by Joe Harper's count. There are a lot of
25 people that are interested in race across this

1 country.

2 What we have, and I think what the problem
3 is, is a day-to-day mediocrity. That's the problem,
4 and we have to speak to it. We're underexposed to
5 potential new customers, and we're overexposed to
6 the old customers.

7 And when we overexpose the old customers
8 to a bunch of mediocre performers, we're
9 discouraging them and encouraging no one. And you
10 can't keep doing that, but that's what we do.

11 And so I believe that we need to find a
12 more aggressive strategy in terms of making
13 ourselves obliquitous with a good product, expose
14 ourselves to potential new fans with a mature
15 distribution system which we don't have in the
16 state.

17 We've got 32 or 35 sites where you can bet
18 a horse race and account wagering all appealing to
19 the old base. But if you drive down the street and
20 you're in the mainstream, you don't even know we're
21 in existence. And so I think we need strategic
22 relationships with mainstream companies that touch
23 everyday lives, and we need to eliminate this
24 day-to-day mediocre product.

25 That's all I have to say. But it's very

1 popular.

2 CHAIRMAN HARRIS: I know there's a
3 point in there somewhere.

4 MR. HINDMAN: John Hindman from TVG. I just
5 wanted to point out our company is a television
6 company. A few of the things that we've done this
7 year that we found that worked and that are new this
8 year in terms of increasing popularity in certain
9 events or meets. There's really four examples I can
10 think of.

11 The first is the American Oaks this year,
12 the partnership we have with Hollywood Park in terms
13 of starting the promotion of the race three weeks
14 out, covering every facet of the race from the
15 invitations to the horses arriving to the horses
16 training to work show for that event to handicapping
17 all angles of that show, covering it wall to wall,
18 and it helped Hollywood Park, and it helped us.

19 The second instance I can think of is
20 Del Mar had a new show called "All Access" which
21 we're also doing this Saturday night at Los
22 Alamitos, and that show was where we mic'd up the
23 jockeys. We mic'd up the starter Gary Bensen. We
24 mic'd up trainers and we mic'd up owners and let the
25 trainers, owners, and jockeys have more of a show.

1 And it wasn't that (inaudible) but the
2 customer feedback that we received from that show
3 was enormous, and a lot of what they -- what their
4 comments were was educational.

5 For instance, they didn't know what the
6 role of the starter was. They didn't know how
7 horses got out of the gate. That's just one
8 example, but every aspect of that show they thought
9 to be educational.

10 The third example I would use is the
11 recently included Fairplex Park meet where we met
12 with Fairplex officials months in advance of their
13 meet and worked on a plan on how to market that meet
14 which is different than marketing in Southern
15 California race meets, and the results were very
16 good for all involved once again.

17 And the last idea is the quarter show
18 which we've been doing for quite some time which
19 focuses on quarter horse racing. It's something a
20 lot of people weren't familiar before that show came
21 on the air, and it's exporting that aspect of the
22 sport of horse racing nationally with the highlight
23 that it hasn't had before.

24 So we like to keep working with all
25 members of the California racing community and get

1 ideas, and our racetracks in various accord are
2 helpful in thinking of things this year that, at
3 least from what we can do from this perspective,
4 helps. Thank you.

5 CHAIRMAN HARRIS: TVG has actually a
6 DVD on it. I think that is an excellent idea
7 because, as a couch potato out there, you'd like to
8 feel you're involved and you can really do that.
9 We're working on our stewards to get them more
10 involved in announcing some of the decisions and
11 sort of seeing where they are.

12 I noticed in the Breeders Cup they had a
13 spot from the steward's stand. I think the whole
14 interesting thing about racing is that it's complex,
15 and that's intimidating to some people, but if we
16 can get them involved and get them to know the
17 personalities and all.

18 MR. TRUE: Jeff True, general manager of
19 You Bet West Coast. One of the ideas we've been
20 executing at Youbet.com is the introduction of horse
21 racing into a sports audience.

22 Not anything new relatively, but the way
23 we're doing it in an online environment, introducing
24 samples of the product, samples of the information
25 products, offering them live racing and access to

1 the actual racing product has benefited us in that
2 our fastest growing new customer segment is the 21-
3 to 30-year-olds.

4 Year over year, the 21- to 30-year-old age
5 group, in terms of new customers, is up to
6 88 percent at Youbet.com. So we think the
7 convergence of the Internet as an everyday platform
8 that's used by that age group, the convergence of
9 the data that goes along with the live racing
10 product and further the fantasy games that we've
11 mentioned are going to be a very good asset for us
12 going forward.

13 But really bringing the gaming mentality,
14 the gambling mentality that is prevalent throughout
15 the sports with all the analytics and the live
16 event. Putting horse racing in that environment
17 with all of the assets that are needed to make it
18 happen is going to produce dividends for us going
19 forward and we think already has in the short term.

20 COMMISSIONER MORETTI: Jeff, I have a
21 question. With that demographic that you just
22 listed, do you have any sense of if any of those
23 people actually get off their computers and go to
24 the track?

25 I mean is there anything that you know of

1 that will actually get them out of their house? I
2 mean it's wonderful for you, and it's good that
3 they're being exposed to the sport, but is there
4 anything that you can think of?

5 MR. TRUE: The short answer is yes. Those
6 people are going to the racetracks. We do surveys a
7 couple times a year, and our last one said that of
8 our new customers, most of them, 53 percent, I
9 believe, are going to the racetrack three or four
10 times a year, which may not sound like a lot, but
11 we're getting the bulk of our new customers from the
12 sports forum.

13 Keep in mind that people are going to the
14 CBS Sportsline.com for which we supply all the horse
15 racing information. And if people are going to
16 ESPN.com where we do some sponsorships and provide
17 live racing products.

18 The people who are going to those sports
19 portals are not core racing fans. If they were core
20 racing fans, they'd be going to DRF or Youbet.com or
21 TVG or someplace like this. So, first of all, we're
22 reaching a new audience, and for those people to
23 tell us -- to go to the extent to become a customer
24 of ours and then tell us, "Yeah, we're going to the
25 racetrack three or four times a year," we think is a

1 positive sign.

2 But the people that are there every day
3 all day using the computer, using the Internet on
4 their day-to-day lives and businesses and, you know,
5 their personal lives, getting them introduced into
6 the sport in that environment to me is a gateway
7 into getting them into the racetrack.

8 Youbet.com has demonstrated an ability to
9 drive people to the racetrack, and we're looking for
10 those opportunities every day where we can partner
11 with the racetrack, saying, "We'll send all of our
12 customers to you. We'll send our top customers to
13 you if they'll take care of them."

14 But the short answer is yes. Those sports
15 folks that are being introduced to horse racing
16 online are beginning to go to the racetrack and
17 we'll increase, we believe, the frequency further
18 on.

19 CHAIRMAN HARRIS: Okay. Thank you.

20 COMMISSIONER MOSS: Just to mention
21 something. The Breeders' Cup next year is going to
22 be on ESPN which is, I think, a really great
23 advantage for our sport because it looks like
24 they're going to do a lot of promotion of horse
25 racing on ESPN for the Breeders' Cup.

1 And we should try to encourage our jocks
2 and the publicity and directors of the different
3 racetracks to feed some interesting stuff to ESPN
4 for them to highlight racing more, let's say,
5 accurately and more regularly on those broadcasts
6 for those all-time sport shows.

7 I think that if people are going to come
8 to the races, I mean three or four times a year,
9 I'll take that. Because even baseball fans get to
10 baseball games three or four times a year and
11 they're considered pretty good baseball fans.

12 So I think that's pretty good. And in
13 talking, just to mention this, to somebody like Jim
14 Hill who is the guy who runs the sports at CBS,
15 local CBS. He says, look, he's not going to run
16 races per se, but he'll run racing stories.

17 So if we could manufacture, you know, some
18 racing stories that are kind of pensive but
19 interesting, he can run those at different times
20 when there isn't a hockey game or there isn't a
21 baseball game.

22 So I think we should try to contribute to
23 that. That's all I'm saying. Thank you.

24 MR. BRADVICA: Hi. George Bradvica with
25 Fairplex Park. Norm Towne mentioned that John from

1 TVG, and Jeff just did too. I think it's cultural
2 lifestyle. That's what we tried at Fairplex this
3 year, and I think it really worked.

4 We have four aspects of it. Monster
5 Mondays on all our Mondays where we offer free
6 admission, free parking, free racing programs, and
7 GSRM points.

8 That was taken off of the Las Vegas effect
9 where people go to Las Vegas and get everything for
10 free. My first dollar used is at the betting table.
11 So that was a Las Vegas effect that we use in our
12 cultural lifestyle.

13 We use bingo as a cultural lifestyle. We
14 use poker. That's another cultural lifestyle which
15 is probably the hottest cultural lifestyle right
16 now. And then Aloha Fridays which is, again, casual
17 Hawaii style which people like. It's comfortable,
18 easy to wear. People have it.

19 Again, all these things are cultural
20 lifestyles, and we have to bring that to the
21 racetrack, and I think that was part of our success
22 this year. So I may try to find more of those for
23 our meet next year.

24 COMMISSIONER SHAPIRO: You know, I've
25 listened to remarks, and I appreciate everybody's

1 ideas, but I think it goes back in my mind to what
2 Mr. Towne said initially which is we have certain
3 markets that are well overexposed and some that are
4 underexposed.

5 When you go to the fairs, what you find is
6 that you'll see a different population at the track,
7 and you'll see families, and it becomes an event.

8 If you look at those tracks that are
9 successful, they are all special events, whether
10 it's Keeneland, whether it's Del Mar, whether it's
11 the fairs.

12 But when we get into these extended long
13 meets and what we have are just another day of
14 mediocre racing in facilities that aren't
15 necessarily comfortable or offering other incentives
16 in terms of dining and accommodations, it's tough to
17 lure anybody that's a novice out to the track.

18 I think the problem is not our hard-core
19 players. They're going to gamble whether they're
20 gambling over the Internet or one of our ADW
21 providers or at the track.

22 The question is how are we going to get
23 fans in? And there we have the dichotomy of how do
24 we keep our track partners healthy so that they can
25 operate and make a profit on an investment.

1 Consequently, we have tracks that are in
2 jeopardy of being closed. So it's a very difficult
3 problem, but on the other hand I think it comes down
4 to -- and the reason we're going to start looking at
5 dates early is we have to consider whether or not we
6 should be running fewer racing days per week during
7 the long extended meets and should we be trying to
8 create more special event meets.

9 I know that I bounced the idea off a few
10 people that, you know, in California the wine
11 country, Napa, is very popular. And in a certain
12 time, which is the crushing season, there is a whole
13 series of events up there.

14 And if there was an opportunity to take
15 the track that's most adjacent to it and make it
16 into a boutique wine -- the wine festival meeting,
17 that maybe we could introduce people that we have a
18 special 16-day Keeneland style meeting.

19 And I know that hits the heart of those
20 people that have tracks that are not, you know, the
21 Bay Meadows and the Golden Gates who are going to
22 say, "Oh, God, not us."

23 But if they could be the operators and
24 find a way not to lose their profits and maybe get
25 behind trying something to create some special

1 events to serve the underserved population, we might
2 be able to find that we can create some excitement.

3 And coupled with that we're ignoring that
4 today if it's not on television, it doesn't do. It
5 doesn't work. And while I applaud the HRTV and the
6 TVGs, they're preaching to the choir.

7 They're addressing people that are already
8 addicted to the sport or indoctrinated. Somehow we
9 have to find a way to get media buys and exposure to
10 our sport to those people that are either on the
11 periphery or not even inclined to come.

12 And toward that end, we did have to bring
13 back the Fans Committee meetings. We had a couple,
14 and we didn't have more, and we probably should
15 have, trying to find ways to buy in bulk and see if
16 there isn't a way that coming together we could
17 be -- get more and greater exposure.

18 But, you know, perhaps it's something we
19 should be exploring further because, you know, it's
20 depressing to go to any of our major tracks today if
21 you're there on a Wednesday, Thursday or Friday, and
22 somehow have to overcome that. And I'm not sure
23 that we shouldn't be cutting back the number of
24 racing days even during the week.

25 CHAIRMAN HARRIS: Well, that's a big

1 subject to discuss when we get to it. For now I
2 think one of my concerns is just that we're
3 continually looking for things. We have (inaudible)
4 marketing fund. It is 36 million a year. One of
5 our concerns there is is that money being well
6 spent, which it may well be.

7 I'd like to see some way to survey what
8 the percentage of racing is and which fans in
9 California in general what sort of things we can do,
10 what they like about it or don't like about it or
11 what the perception is.

12 I don't think we've really done those
13 baseline studies. So we're all reacting, "How are
14 we going to get them there tomorrow?"

15 As Jerry pointed out, I think we need more
16 stories. All of us know wonderful stories of
17 jockeys, trainers or owners, horses. There's a
18 great movie out right now, "Dreamer," that's a
19 real -- if you don't quite imagine (inaudible).
20 Richard Craft is sobbing throughout. But that
21 should help racing, and I don't know if we shouldn't
22 be looking at ways to do joint promotions with
23 things like that.

24 But anyway, I don't want to take too much
25 time on this. I just put it on there to stimulate

1 some thought. I appreciate everyone's input.

2 Let's move on to a little bit of an up
3 note on the two reports you've got coming on Pomona
4 and Fresno on their results.

5 MR. REAGAN: Yes, Commissioners.

6 Absolutely. The Los Angeles County Fair, which
7 actually had one day less this year, 16 instead of
8 the normal 17, actually had a very good meet as
9 indicated by George.

10 Their on-track average was up 9.78. Their
11 off track up 7.25. Of course, big increases still
12 to the ADW, though we find the leveling place that
13 in a few years, but overall a decent meet.

14 And then, of course, Fresno -- a push-on
15 track, a little off track but enough big increases
16 in their export and ADW so that their overall handle
17 is up. So some reasonable results.

18 CHAIRMAN HARRIS: Now we're
19 emerging -- I think the experiment of theirs didn't
20 work with Fresno running two overlap days each week.
21 They had a tough go because without Sacramento they
22 did lose quite a few horses to out of state, but it
23 was encouraging.

24 That meet was up, and then some people
25 (inaudible) but they really did. It was just

1 incredible on any of the weekdays and on the
2 weekends. It was nice. That was the first
3 grandstand (inaudible). It was pretty amazing.

4 Any questions on those two reports?

5 We'll move onto the committee report. The
6 report of the Medication Committee basically met
7 yesterday, and they're still reviewing the Racing
8 Commissioner's International recommendations on
9 how -- what sanctions should be for violations and
10 what categories of medications go into how to
11 categorize medications based on the seriousness of
12 any misuse.

13 And it is still a bit of a work in
14 process, but I can assure you that in California the
15 current program is one of the best in the country,
16 if not the best. And it is emerging a lot of
17 uniformity (inaudible).

18 Also, Dr. Jensen presented a report on
19 livestock and horse ID, and he was very innovative
20 in getting a grant from the USDA to help that along.

21 Is Dr. Jensen here?

22 Why don't you just give us a quick rundown
23 of our horse ID.

24 DR. JENSEN: Dr. Ron Jensen, Equine
25 Medical Director to the Board. As we've discussed

1 before, there is a mandate from the federal
2 government to the USDA, United States Department of
3 Agriculture, that all livestock, including horses,
4 be able to be electronically identified and traced
5 back within 48 hours of an outbreak of infectious
6 disease or bioterrorism attack.

7 There's also been interest in the racing
8 industry in California and throughout the country to
9 have a better way of monitoring the comings and
10 goings of horses at the race course.

11 So the process began last summer. There
12 was some grant money for projects offered from the
13 USDA to the individual state departments of
14 agriculture, in our case, the California Department
15 of Food and Agriculture.

16 We were successful in getting funding for
17 a pilot project in the amount of \$97,230, which is
18 about half of what we projected for this pilot
19 project. Real briefly, the pilot project envisioned
20 and will involve the microchipping -- the implanting
21 of microchips in about 4,000 horses.

22 In Southern California -- we're choosing
23 Southern California because there's five locations
24 where horses routinely stay and move back and forth
25 from. That's Hollywood Park, Santa Anita, Del Mar,

1 Pomona, and San Luis Ray.

2 So the process now begins how to work out
3 all the logistics that are involved and the
4 developing of the software. That's been ongoing.
5 The software is being developed by Encompass System,
6 which is a software system, a program used by racing
7 offices in California and throughout the country.

8 They think they will have this software
9 ready for testing by December 1st of this year, and
10 they're going to demonstrate at the Tucson racing
11 symposium, and we hope to get the project going
12 sometime after the 1st of the year.

13 CHAIRMAN HARRIS: That's an exciting
14 project, and it's something that's really mandatory
15 going to happen at some point, but I think it's
16 great that California is taking the lead and it will
17 have a lot of uses both in identifying horses, which
18 still continue to tattoo horses, but it will be a
19 great supplement to that.

20 Plus as time goes on, I think we'll be
21 able to do a lot more because the technology is --
22 it's emerging technology. But it is proven in other
23 countries.

24 DR. JENSEN: One of the things,
25 Mr. Chairman, we'd like to say as a review, the

1 chips that we're proposing to use not only give a
2 unique number to the horse in the identification of
3 the horse, it also records the horse's body
4 temperature.

5 So instead of using a rectal thermometer,
6 you can scan the horse, and we think it's a pretty
7 good deal if you're taking temperature in 40 horses
8 a day. It will be a lot quicker, a lot easier
9 process.

10 CHAIRMAN HARRIS: Anything on this
11 Medication Committee report? If not, we'll go on to
12 the Legislative Committee.

13 Chairman Moretti.

14 COMMISSIONER MORETTI: I thought I'd just
15 give an overview of what happened since our last
16 Board meeting prior to the deadline for the governor
17 to sign all the bills.

18 First of all, I'd like to thank Sue Ross
19 on the CHRB staff because she is the one who
20 represented the Board on all of the legislative
21 billings, passed the bills and analyzed the bills
22 during process.

23 And for those of you not familiar with the
24 legislative process, this was the first of a
25 two-year session. So although there were 28 bills

1 that were introduced, ten of those will actually
2 carry forward throughout the course of this next
3 year.

4 Eight bills were chaptered. There were
5 six assembly bills and two senate bills. Senate
6 bills included the extension of the (inaudible)
7 California Marketing Committee, which our chairman
8 spoke of us.

9 And among -- there were some other
10 technical changes in some of the bills provided.
11 Most of the bills were put in by various factions in
12 the industry.

13 In particular, the one I wanted to mention
14 was AB 52, which was the TC02 bill that we
15 started talking about way back in the beginning of
16 this session in January of last year. And it was
17 put in as an urgency measure, and it didn't actually
18 go into effect until September of this year --
19 September 6 of this year as opposed to when we had
20 first anticipated hopefully it would have March.

21 So I would just offer a personal caution
22 next time we say "we," as an industry, say we want
23 to get our arms around something that we do it prior
24 to submitting the bill and see if we can work
25 something out. I'm happy to call for an emergency

1 committee meeting where we could get everything
2 together and work things out because typically a
3 bill gets signed goes into effect the next January.

4 The fact that this was an urgency and
5 there was so many amendments to it back and forth,
6 back and forth that let it go all the way through
7 the system and didn't pass until September. So
8 let's just offer that as a personal note.

9 The session starts up again in January,
10 and the last day to submit bills to the Office of
11 (inaudible) Counsel is January 21. So if there are
12 any particular issues that we want to pursue
13 legislatively, we will be meeting prior to that.

14 And there may be some things that the
15 Board will sponsor. I know all of you individually
16 have your own lists that the public be sponsoring.
17 So I just wanted to try to give you an overview on
18 that.

19 CHAIRMAN HARRIS: Thank you. I think
20 that -- I'm certain the Board doesn't necessarily
21 get involved in the legislation that much, but all
22 of the different factions that would be interested
23 in getting together early on and try to get an
24 agenda because it is pretty much a given that in
25 Sacramento you're not going to get something done

1 without at least a consensus of -- some good degree
2 of consensus.

3 We need to do that early so that
4 (inaudible) we have a few bills that were floating
5 around at the end that fell apart that probably
6 wouldn't have with better preparation.

7 So anything on legislation? Let's move
8 onto other business, general business.

9 Anything in general business?

10 COMMISSIONER SHAPIRO: I have a matter
11 under old business I'd like to discuss.

12 As we have recently heard, unfortunately
13 and to the dismay, of course, of Hollywood Park and
14 to all of the industry, the turf course is not going
15 to be operable for their upcoming meet.

16 When we approved that application, there
17 were a lot of turf races and issues related that
18 that turf festival meeting revolves around. I would
19 like to hear from the operators of Hollywood Park
20 what the racing program will be.

21 I'd like to make sure that what steps are
22 being taken are going to be providing the racing
23 opportunity in California for horses that are going
24 to be displaced that are predominantly turf horses.

25 It would be my hope that this does not

1 become an issue between two different ownership
2 entities but one where we're looking at the greater
3 good for California and we can still provide a venue
4 for turf racing in California during that 31-day
5 period.

6 So, Mr. Liebau, if you could fill us in,
7 I'd love to hear it.

8 MR. LIEBAU: Jack Liebau from Hollywood
9 Park.

10 We have an unfortunate situation in that
11 the turf course at the new Hollywood Park Racing
12 Association inherited is not suitable for racing.
13 And, in fact, as of this minute does not exist. The
14 old turf course has been moved. We're in the
15 process of redoing the base at this very moment, and
16 there probably will be new sod laid for a new turf
17 course Monday of this coming week.

18 It was thought to be essential that we
19 move ahead with speed so that we would be assured of
20 having a turf course that would work in the summer,
21 and the turf course that we inherited unfortunately
22 is simply not suitable for racing for a whole
23 variety of reasons that I don't think there's any
24 use going into. It's just a fact it doesn't work.

25 We met yesterday with the Thoroughbred

1 Owners of California, and after considerable
2 discussions have come up with a plan that we think
3 is in the best interest of everyone concerned. I
4 don't think it will please everyone, and I'm not
5 sure there's a solution that can possibly please
6 everyone.

7 We continue to race at Hollywood Park. We
8 will have a stake schedule that will embrace dirt
9 racing. Our overnights will all be on dirt. A
10 substantial amount of purse money that would have
11 otherwise gone to the fall festival will enhance the
12 purses at Hollywood Park.

13 As some of you know, Hollywood Park in the
14 fall had a situation where the purses were slightly
15 less than Oak Tree and a great deal less than Santa
16 Anita. Those overnight purses will be increased,
17 and that's where we stand.

18 I think Mr. Cuoto from the Thoroughbred
19 Owners of California is here to outline the plan
20 that came about through negotiations yesterday with
21 his Board of Directors. And I think that, as we all
22 know, this is a partnership between the tracks and
23 the owners. Partners have met and will hopefully
24 come to the best possible plan. Thank you.

25 MR. COUTO: Thank you. Drew Couto,

1 Thoroughbred Owners of California.

2 Jack is correct. We met yesterday three
3 times with management from Hollywood Park to discuss
4 the situation of what possibly could be done going
5 forward, and my racing affairs committee worked
6 toward the best solution that we could negotiate
7 with Hollywood Park and one that we think answers
8 some of the needs created by the failing of the new
9 turf course but not all of the needs of owners and
10 with turf horses in Southern California.

11 And unfortunately between the two of us we
12 were just not able to solve all the problems, but
13 what we've discussed yesterday was a request to
14 reduce the number, total number of race days for the
15 Hollywood Park fall meet.

16 Since it would be an entirely dirt racing
17 meeting, we projected against last year's numbers
18 and determined that we would be looking at, at least
19 a 25 percent increase in the total number of dirt
20 races run using an inventory that's slightly smaller
21 than what we had last year and realized from an
22 average field size you would not be putting any type
23 of race on that would be of interest to fans,
24 players, or would do this industry any good to put
25 out there. So.

1 An agreement was reached that Hollywood
2 Park would be seeking to run 27 days rather than 31
3 days. And depending on inventory, if inventory was
4 there sufficient to run one additional day of 28,
5 they would like us to consider working with them for
6 a 28th day. Again, if the inventory was there to
7 sustain that, we'll keep an open mind; that they
8 were shifting a substantial portion of the monies
9 that would have been used for the turf festival
10 stakes to the overnights and the projection is that
11 that will increase overnight purses someplace
12 between 12 to 14 percent above what they were last
13 year.

14 We asked that they limit the number of
15 overnight dirt races run on the 27 days to 8 -- an
16 average of eight which would give them 216 overnight
17 dirt races. And because there were no Hollywood
18 Park management to assure us that it was not
19 feasible to run a short stakes turf meet during
20 theirs over at Santa Anita, logistics of moving tote
21 equipment and tote cards and a number of other
22 problems with receiving the course, we looked at
23 using some of the stakes monies, which I think we
24 agreed were -- the proposal from Hollywood Park was
25 using 166,000 stakes monies to supplement a series

1 of special event races held up at Golden Gate on the
2 turf.

3 And the objective would be to fill
4 categories that horses would have had the ability to
5 run in Hollywood Park, primarily turf races. Up
6 north with the purses being supplemented above what
7 Golden Gate was already paying, we've moved those
8 purses to the equivalent of what would have been
9 paid at Hollywood Park, and then Hollywood Park
10 would pay the transportation of the horses north and
11 south for that -- for those events.

12 And there might be a point at which we
13 explore this subsidized north-south shipping through
14 sources such as SCOTWINC in the future. But at
15 this point it's my understanding that Hollywood Park
16 is prepared, if it's not a SCOTWINC endeavor,
17 that they will pay the cost of shipping those horses
18 north and south.

19 Again, it was not a perfect solution by
20 any stretch. There is a -- there is a significant
21 number of horses and owners that will be affected by
22 the lack of stakes opportunities.

23 We try to get them -- we were unable to
24 negotiate that. Again, Hollywood Park felt that was
25 logistics, but we think we tried to turn a bad

1 situation into one that is less bad than the
2 alternative.

3 And if there's any questions, I'll be
4 happy to answer those.

5 COMMISSIONER SHAPIRO: Well, I'd like to
6 try to understand the economics of it because I hear
7 \$166,000. And over the last two days I have been in
8 Santa Anita and spoken to a lot of trainers, and a
9 lot of trainers are saying they have nowhere to go
10 with their upper-end horses that are turf horses.

11 Why aren't there a couple of special
12 events stakes that are being scheduled at Golden
13 Gate in addition to the 166,000 that would allow
14 those people to keep those horses here in the state
15 and set them up?

16 Because as I understand it, some of the
17 people use those stakes as a springboard to the
18 Santa Anita meeting that follows. So why can't,
19 rather than boosting the overnight purses on dirt
20 races by 12 to 14 percent, wouldn't it be better to
21 boost those purses 8 to 10 percent and create at
22 least some -- a couple of stakes opportunities up at
23 Golden Gate in addition to the 166,000 that would
24 allow those people to have a racing opportunity?

25 CHAIRMAN HARRIS: Actually on that

1 question too, I'm not really clear if there's any
2 legal authority or question. Can you move purses
3 from one purse pool to a purse pool in another area?

4 Is this something you can do, or is there
5 any authorization in the law that addresses that?

6 MR. COUTO: Two questions.

7 CHAIRMAN HARRIS: One is enough.

8 MR. COUTO: Sure. Let me try to answer
9 Mr. Harris's first and then Mr. Shapiro's.

10 There are some vehicles that can be used,
11 for example, 19618(D). We're talking about a series
12 of special events races.

13 So from a funding standpoint we have a
14 little broader -- we have a little margin to work
15 with in terms of the origin of the purse revenues to
16 be used. That's one mechanism we might use. There
17 may be others. We're looking exactly, but we're
18 pretty confident at least initially that 19618(D)
19 will give us the -- at least (inaudible) to move
20 those purses.

21 Two, as far as stakes go, obviously from
22 the owner's standpoint we want to see stakes offered
23 someplace. This was a negotiation. Rather than
24 identify exactly what races will be ridden up north,
25 what we decided to do was to put the two racing

1 secretaries together, Sean Really at Golden Great
2 and Martin Pansa, and ask them to work together to
3 develop the best program to take care of the
4 horsemen's needs from the south, give them some
5 freedom to do that.

6 If they are unable to reach an agreement,
7 there was a mechanism for how that would be
8 resolved, largely a negotiation involving
9 Mr. Liebau, Mr. Charles and myself in representing
10 TOC.

11 But yes, exactly what that program will
12 look like in the north we don't know right now, but
13 we are limited based on -- based on the negotiations
14 to 166,000 to do those races. We would love --
15 obviously love to have more.

16 COMMISSIONER SHAPIRO: Well, I read the
17 paper, the article in the L.A. Times yesterday, and
18 believe me I'm not saying that I believe everything
19 that comes out of Bobby Frankel's mouth.

20 However, he was pretty emphatic that, you
21 know, he had planned to bring horses here and he's
22 not going to bring them. Then while in the track
23 yesterday I ran into an owner who said he was
24 shipping six horses out, and in light of this he's
25 not shipping those six horses out because there

1 won't be any races. They're stakes horses.

2 I don't understand when we're so
3 desperately short of horses. I did see this nice
4 brochure that was put out trying to bring new
5 stables to California -- that we're not going to
6 offer some stakes to try to retain those horses here
7 in California.

8 CHAIRMAN HARRIS: Well, they are.
9 They can do that. I don't think there's any
10 restriction on what program. Golden Gate obviously
11 is smart enough to put on a turf program that will
12 attract as many horses as they can. So I don't
13 think there's any restrictions in them doing that.

14 COMMISSIONER SHAPIRO: Well, but what I'm
15 hearing is none of them are going to be stakes
16 races. Why shouldn't there be also some money set
17 aside for some stakes races that would be in the
18 same classifications that would have been those
19 stakes that are part of the turf festival?

20 CHAIRMAN HARRIS: Does TOC say they
21 don't want to be in stakes?

22 MR. COUTO: No. I think the course of
23 the discussion was that we were dealing with a
24 number of issues yesterday, and exactly how this
25 money would be spent on a racing program up there

1 was not something that was really prudent to have
2 management representatives for our committee at that
3 point say we're going to use 10,000 here, 5,000
4 there.

5 What we're hoping to do is find a way
6 using the creativity of the racing secretaries to
7 create races and supplement races so that we can
8 fill some of the voids created by the failure of the
9 turf horse down here.

10 As I said, it's far from the perfect
11 solution. Stakes horses are the one group that
12 could not be completely accommodated, but we're
13 going to do our best to find a way.

14 As far as looking around the country as to
15 where horses would be going, we happened to have a
16 very bad year from a thoroughbred standpoint. Turf
17 course opportunities in Louisiana at fairgrounds
18 don't exist this year.

19 When we looked at what alternatives there
20 were in Florida, you look at Call To Racehorse,
21 which has been decimated by a hurricane and even at
22 its best offers purses on turf races less than those
23 offered at Golden Gate on a daily basis.

24 So we still -- the only jurisdiction that
25 arguably offered a better purse opportunity and

1 stakes opportunity is Churchill, and that meet ends
2 I think on the 27th of November.

3 So we -- again, there's not much
4 opportunity anywhere around the country. We're
5 doing our best to create opportunities. And, yes,
6 if my Board felt to be a major racing jurisdiction
7 like Southern California and to only offer turf
8 opportunities for quality horses from the end of
9 Del Mar to the beginning of Santa Anita for 30 days
10 is not something anyone is happy about.

11 COMMISSIONER SHAPIRO: Let me get right to
12 the bottom line. If there's \$166,000 which could be
13 used for what I'll call allowance type horses to
14 supplement what turf races don't exist at Golden
15 Gate, why not make it 366,000 and be able to offer
16 \$200,000 races for stakes horses?

17 CHAIRMAN HARRIS: Well, why don't you
18 just give it all to them?

19 COMMISSIONER SHAPIRO: No, I'm not saying
20 that.

21 MR. LIEBAU: Mr. Shapiro, we are operating
22 under extremely difficult circumstances because of
23 the fact that our turf course did not work. That is
24 not the fault of the holder of the license right
25 now, and whose fault it is isn't really important.

1 COMMISSIONER SHAPIRO: I'm not trying
2 to --

3 MR. LIEBAU: I'm sorry. We've got to deal
4 with the facts as they now stand. The facts are we
5 do not have a turf course. We need a certain amount
6 of purse money in order to offer racing during this
7 meet.

8 Based on what the Thoroughbred Owners of
9 California have their concerns are, that with us
10 dropping four days with a possibility of getting one
11 of those days back plus the \$166,000 that is being
12 redistributed to Golden Gate for purses, which
13 frankly may or may not be legal but may be okay
14 because of the facts that we're now facing in this
15 terrible situation that we have.

16 We need a certain amount of purse money in
17 order to get through our meet, and that's the bottom
18 line.

19 COMMISSIONER SHAPIRO: Okay. And I
20 understand it.

21 MR. LIEBAU: And as I said to begin with,
22 I understand everybody's concern and their passion.
23 But, you know, the partners in this thing have met
24 and come to a solution, and I guess the solution is
25 unacceptable to you.

1 COMMISSIONER SHAPIRO: Well, no.

2 MR. LIEBAU: I think it is.

3 COMMISSIONER SHAPIRO: What I'm saying is
4 I would like to try to address all of the race
5 (inaudible) we can. What I heard you say was
6 there's a 12 to 14 percent increase, and I don't
7 know the economics.

8 But if there were \$200,000 races in
9 addition to the 166 -- just hear me out -- what
10 would the purse increase then be that was remaining?

11 Would it be 8 percent? What would -- it
12 would still be additional purse monies. So what I'm
13 trying to say is why can't --

14 MR. LIEBAU: -- our purse money that, if
15 we would have done the turf festival, was we need
16 additional purse money in order to entice horses to
17 fill our races during the meet, and we have come to
18 the conclusion that the purse structure that we are
19 now proposing, which is about 14 1/2 percent, will
20 allow us to get through the meet.

21 Now, we have steadied that, Mr. Shapiro.
22 We've discussed it with the TOC, and everybody has
23 agreed that that is what we need. Now, I understand
24 that you don't agree with it.

25 COMMISSIONER SHAPIRO: No. I'm

1 questioning if there isn't a better solution. And I
2 believe that it is worthwhile for us to explore
3 trying to address all the horses that are here in
4 our horse population.

5 So I'm simply trying to ask you if it was
6 \$366,000, what would the effect be on overnight
7 purses? I understand you just said it's 14 1/2.

8 CHAIRMAN HARRIS: For clarification,
9 this 166 that we're talking about, is this coming
10 from the purses, the horsemen's purses, or is this
11 coming from Hollywood Park's own account?

12 MR. LIEBAU: From the purses, and there's
13 a problem that that might not be legal.

14 CHAIRMAN HARRIS: Because, as I read
15 it, you can't do that. I mean regardless of the
16 merits of doing this. I read this, they're talking
17 subdivision -- this 19618.E says -- basically
18 doesn't apply any payment by an association in
19 connection with any social racing event. Now, the
20 association can do it. If Hollywood Parks says, "We
21 want to do it," you can give 10 billion or
22 something.

23 MR. LIEBAU: That provision is usually
24 used for John Deere or somebody like that. What we
25 are, we are in a terrible situation. We think that

1 this is a solution. You know, in times like this,
2 sometimes maybe the law has to bend a little bit.

3 CHAIRMAN HARRIS: Maybe we shouldn't
4 waive that rule if that's what's happening.

5 COMMISSIONER SHAPIRO: Okay. So I
6 understand that's the technicality of it. But it
7 goes -- I'm trying to get back to what would the
8 effect on your overnight purses be if it were -- if
9 there were \$200,000 races that went to address the
10 stakes horses that don't have a place to race?

11 CHAIRMAN HARRIS: Well, the thing on
12 this race -- I'm a little befuddled where there are
13 places for people to race at Golden Gate, assuming
14 they can redo their dirt race program.

15 I think the problem isn't so much a place
16 to race as they don't have sufficient purses to race
17 for. If Bobby Frankel wants to run in a \$200,000
18 race and the race at Golden Gate is 60,000, which is
19 a problem for him, but it's not -- I don't think you
20 can characterize that as no place to race.

21 MR. LIEBAU: I think that the number will
22 go down roughly somewhere between 2 and 3 percent.

23 COMMISSIONER SHAPIRO: So by taking out an
24 additional 200,000 would reduce the 14 1/2 increase
25 to 2 percent?

1 MR. LIEBAU: No. By 2 or 3 percent.

2 CHAIRMAN HARRIS: But the thing is
3 this is a direct agreement, as I understand, has
4 been -- I think it sort of dubiously legal anyway.
5 But assuming that it's legal, which I don't buy
6 into, that it's a bilateral agreement between TOC
7 and Hollywood Park on a deal on purses.

8 I just don't see where we can intervene
9 and say, "We don't like this bilateral agreement
10 because we talked to some trainer that said he
11 didn't have a place to run and we want you to put
12 more money into it."

13 COMMISSIONER SHAPIRO: Well, again, we
14 review license applications, and I want to be very
15 clear. I am not looking to blame your organization
16 whatsoever for the turf course. I have no clue what
17 happened here.

18 I applaud you for coming forth as quickly
19 as you did. I think you made the absolute right
20 decision that we're not putting people or horses on
21 a course that may not be safe. And that's not where
22 I'm coming from at all. Okay. So I applaud you.

23 But what I am looking at is I don't
24 understand that if what we're talking about is
25 taking something from a 14 1/2 percent overnight

1 increase for dirt racing and we have the opportunity
2 to lower that to 10 or 11 percent and still provide
3 perhaps racing opportunity for all classifications
4 of horses, is that not a better plan? We review
5 these license applications. So isn't it in our
6 purview to weigh in on this?

7 MR. LIEBAU: I think one thing I don't
8 think that you review, Mr. Shapiro, is like the
9 stakes schedule. I don't think that this Board ever
10 reviews the stakes schedule. That is something that
11 is negotiated between the track and the horsemen.

12 CHAIRMAN HARRIS: What could have
13 conceivably happened was that in your horsemen's
14 agreement, TOC could say there's a breach because
15 (inaudible) when you come in.

16 As I understand it, this is a plan to
17 negotiate. As far as the purse levels, I mean
18 Richard or I -- I think if we went to the paddock
19 for all those dirt races and said, "Well, do you
20 really want to run for 20,000, or would it be okay
21 if you just ran for 19,000 because we want to send
22 some money up to Golden Gate so they can have a
23 better stakes program. Is this okay with you?"

24 I don't think too many horsemen would say,
25 "Oh, that's fine. Whatever Frankel thinks. That's

1 good."

2 MR. LIEBAU: And then the other thing
3 you're talking about running a couple stakes races,
4 grass races to replace this because of our turf
5 horses. I mean we had eleven turf races all for
6 different type of people. I mean how do you choose
7 which ones you're going to run?

8 CHAIRMAN HARRIS: I think didn't last
9 years come off the turf anyway?

10 MR. LIEBAU: That's another thing. When
11 you're talking about the turf racing, it's been
12 known to rain and not use the turf course for a
13 month or two months when you've had turf races
14 scheduled.

15 I mean it's a terrible situation. It's
16 unfortunate, but I can't do anything about it, and
17 neither can the owners. I mean they're in line with
18 their turf horses. There's no place to send them.
19 There's just no place. You're not going to send the
20 good turf horse to (inaudible), and Churchill Downs
21 closes on November 27, and you're going to take the
22 chance of sending a horse to Churchill and you've
23 got a lien to cover your expenses?

24 You know, Mr. Harris, when you talk about
25 this being dubious legally -- yeah, but, you know,

1 maybe under the circumstances we all look the other
2 way and, you know, get on with it.

3 But I really think that as far as a -- and
4 this may be disrespectful, and some of you may not
5 appreciate this comment, but I mean I think that if
6 the owners and the tracks enter into an agreement
7 and they've looked at all the pros and cons of it
8 and it's -- I don't know whether you really should
9 be second guessing that. And I'm sorry,
10 Mr. Shapiro, but you and I guess disagree on that.

11 COMMISSIONER SHAPIRO: Well, it's okay for
12 us to disagree, and I don't believe we always have
13 to see the same thing the same way.

14 However, I guess I look at it that we are
15 charged to being the regulators and the guardians of
16 the sport and looking to enhance the game.

17 I see in your application today there's a
18 stakes schedule. I don't know why it's in there if
19 what you're telling me that we have no business
20 commenting on a stakes schedule.

21 CHAIRMAN HARRIS: Because that's been
22 approved by TOC.

23 MR. LIEBAU: Absolutely.

24 COMMISSIONER SHAPIRO: I'm not saying it's
25 not subject to approval to the horsemen's agreement,

1 but these issues are presented to us. The
2 application that was presented to us back then,
3 which, of course, you knew nothing like this would
4 happen. Again, there's no fault here laying at
5 anybody's feet.

6 But, on the other hand, if there's an
7 opportunity to enhance California racing, I believe
8 that, despite what the track and the horsemen make,
9 the owners may feel that we should be weighing in on
10 what's good for California horse racing. I think
11 that's what our job is.

12 MR. LIEBAU: And how would you do that?

13 COMMISSIONER SHAPIRO: How would I do it?
14 I'm doing it right now.

15 MR. LIEBAU: I know that, but is there
16 some discussion or evidence being presented as to
17 whether the 14 is better or --

18 COMMISSIONER SHAPIRO: No. I don't have
19 the answer. I don't have the answer, but what I am
20 saying is that if it's 10 percent increase in purses
21 that takes care of the dirt horses and there's an
22 opportunity to offer some stakes opportunities for
23 those horses that now are going to have to train
24 their way up to races, maybe we can make -- give
25 everybody something. Everybody can get a piece of

1 something, you know, a little bit of lemonade out of
2 something that's a lemon.

3 CHAIRMAN HARRIS: We need to keep in
4 mind the dirt races at this fall meet are still
5 going to be less of purses than Santa Anita. It's
6 not like this is enhanced over the next meet. It's
7 just not quite as bad.

8 This whole situation is very important.
9 In the perfect world this should have never
10 happened. We should have had the turf course, but
11 we don't. So we've got to play with the cards we're
12 dealt.

13 MR. LIEBAU: And the purse levels, when we
14 raise them up, the mid-claiming purse, mid-claiming
15 purse races -- guess what? They'll be exactly equal
16 to Golden Gate. That's why we have stakes at
17 14 percent. It's not that we're -- you know, these
18 purses that we're offering are not outlandish.

19 CHAIRMAN HARRIS: Nobody is getting a
20 windfall.

21 MR. LIEBAU: And some of these turf
22 horses, who knows. They may run on the dirt. It's
23 been known to happen. It happens, you know.

24 CHAIRMAN HARRIS: I'm not clear on
25 that eight races a day. If you do that, is that an

1 average? Because if you do that as an average, what
2 are you going to do on weekdays?

3 MR. LIEBAU: That's overnight horse races.
4 They're stakes races of approximately twelve stakes
5 races that would be run on top of that. I would
6 assume, Mr. Harris, that if there's nine horses --
7 nine races, that we will talk to the Thoroughbred
8 Owners of California and say, "Well, it looks like
9 we'll run nine over nine. Is that okay with you?"

10 And I'm sure that, if it's reasonable,
11 they'll do it. I mean there's no hard and fast
12 rules. But, you know, we're going to talk to them
13 about it and come to reasonable results, and they're
14 as interested as we are in having their, you know,
15 their members participate in races that earn purse
16 money. I mean that's the way it is.

17 CHAIRMAN HARRIS: Well, I don't know
18 if there's too much we can do on this. As I
19 understand, it's just a redo of the horsemen's
20 agreement. I mean one of the problems is actually
21 third party impacts with the different unions and
22 (inaudible) starting gate and the whole thing.

23 Plus there's the impact of the Northern
24 California track will be running without a companion
25 feature in the south which I think is an interesting

1 experiment. I always thought that might be
2 something to look at. But it's unfortunate right at
3 this time there aren't too many other tracks coming
4 in either. So Mr. Tunney is here from Golden Gate.

5 Do you have any feeling of how the loss of
6 the southern signal on these four or less days or
7 three or less days will impact your panel on those
8 days?

9 MR. TUNNEY: Hi. I'm Peter Tunney
10 representing Golden Gate Fields. The answer to your
11 question is certainly we would prefer to discuss
12 this. We prefer a signal to be consistent with the
13 north and south signal. If you want to quantify
14 that, I don't know. We'll have to wait and see how
15 this negotiated settlement works out.

16 CHAIRMAN HARRIS: It should be
17 interesting. If there's only one track running in
18 California, can you still bring in as many simulcast
19 signals, or is that simulcast signal import
20 contingent on two tracks running?

21 MR. TUNNEY: No. We do that now sometimes
22 when Oak Tree takes a later post time.

23 CHAIRMAN HARRIS: I thought there was
24 so many days.

25 UNKNOWN SPEAKER: I think the answer is,

1 if the south is dark, the 23-race limitation is not
2 lost.

3 CHAIRMAN HARRIS: What is it then?

4 UNKNOWN SPEAKER: Whatever you want
5 subject to whatever is left in the bank, the bank
6 being what number of races that were run in 1992.

7 It's also the opposite of that. If the
8 north is dark and the south is running, the north
9 can have as many races as they want subject to the
10 bank.

11 One thing that's happening here that
12 probably -- it couldn't be a more opportune time
13 because, whatever is left in the bank, you know you
14 aren't robbing from anybody else.

15 MR. TUNNEY: But we've always used the bank
16 to try to be as equitable as we could throughout the
17 entire year. There were races offered before the
18 negotiated settlement at Golden Gate Fields that may
19 be attractive to horses in Southern California.

20 Just from a horseman's standpoint, I hope
21 this all works out. It's been a negotiated
22 settlement. Everyone seems to agree. And if it
23 works out, it's terrific.

24 CHAIRMAN HARRIS: In fact, one of the
25 key things to look for is you have good weather in

1 the north and you're able to utilize your turf
2 course.

3 MR. TUNNEY: Yeah, and we have been. And
4 in general the month of November is good weather,
5 and so is December. If it does work out, can I get
6 a plaque like the city of Arcadia?

7 (Laughter.)

8 CHAIRMAN HARRIS: We'll work on that.

9 Okay. Well, this was just on there for
10 discussion. We can't really take any action. This
11 is a very unfortunate situation. One of my
12 frustrations is that we've got a lot of horses in
13 training in California, I would guess, in basically
14 a pool of horses between Santa Anita and Hollywood
15 Park and San Luis Ray, and there's probably -- I
16 don't know -- hopefully the racing secretaries.

17 But I would guess there's got to be about
18 3500 horses that somebody is paying a training bill
19 on every day, and it would seem that we could fill
20 some races regardless if it's on the turf or the
21 dirt or the mud or where. But the whole horse
22 inventory is of concern.

23 And that's one of the problems with the
24 business is that anybody that owns a horse has to
25 pay a training bill every day, and to pay that bill,

1 they're hoping to win money at some point. And if
2 we start taking away too many days and too many
3 races, we jeopardize that. I realize you hopefully
4 will bring in bigger purses when you do win, but
5 we've got a lot of blue collar horses out there that
6 still are trying to make a living.

7 Any other thing on this? Any comments
8 from the commissioners?

9 Okay. Then we'll hope the experiment goes
10 well, we'll get a good report on this in the January
11 meeting and see all the different ramifications.

12 I think the potential of running some
13 four-day weeks is it does have some potentials as to
14 how it's going to work.

15 MR. CASTRO: You hit my buzz word.
16 Richard Castro representing the Pari-Mutuel Clerks.

17 Let me go back. We've always taken the
18 position that we don't like regulators interfering
19 in the collective bargaining process, and I think
20 these two parties really do deserve a lot of credit
21 under a very bad situation.

22 When we negotiated our agreement, the
23 issue was continually raised. We hear from
24 Mr. Shapiro often, you know, race four days a week,
25 race three days a week. Make it special. When we

1 negotiated our four-year agreement, we tied into
2 medical coverage, vacation pay, sick pay, based on
3 what the current schedule is now.

4 So every time you raise a reduction of
5 racing days, you're infringing on our contract.
6 Now, I'm extremely fortunate. I don't feel that I
7 have an enemy in this industry. I think I have an
8 open-door policy with virtually everybody in the
9 room.

10 So if in fact you do go down that road,
11 I'm comfortable that we can work a solution out.
12 But I do want it on the record, when you start
13 cutting days, you're infringing on a wage earner's
14 wages, and in this case this is right before
15 Christmas. We don't like it.

16 But, on the other hand, I think the
17 parties are to be commended under a very bad
18 situation.

19 CHAIRMAN HARRIS: Yeah. Hopefully
20 (inaudible). But still in the south -- in this case
21 Hollywood Park and the total southern satellite
22 network will still remain open on those days to take
23 races in from Golden Gate and wherever they're
24 coming in from. So that might be good because, if
25 it works out, that will generate some additional

1 purse money that might mitigate some of the losses.

2 Okay. Anything else to discuss? Thank
3 you very much for everyone's input.

4 (Whereupon, the proceedings adjourned at
5 12:48 P.M.)

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1 REPORTER'S CERTIFICATE

2
3 I, DEBORAH MORIN, CSR No. 11558, Certified
4 Shorthand Reporter, certify:

5 That the foregoing proceedings were taken
6 before me at the time and place therein set forth;

7 That all statements made at the time of
8 the hearing were recorded stenographically by me and
9 were thereafter transcribed.

10 That the foregoing is a true and correct
11 transcript of my shorthand notes so taken.

12 I further certify that I am not a relative
13 or employee of any attorney of the parties, nor
14 financially interested in the action or the outcome
15 thereof.

16
17 IN WITNESS WHEREOF, I have subscribed my name
18 this 11th day of November, 2005.

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22 DEBORAH MORIN, CSR No. 11558
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